

HARD COPY

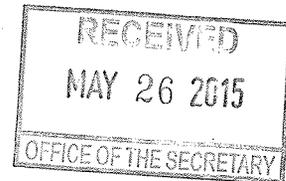
UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-16354

In the Matter of

David B. Havanich, Jr.,
Carmine A. DellaSala,
Matthew D. Welch, Richard
Hampton Scurlock, III,
Retirement Tax Advisory
Group, Jose F. Carrio, Dennis
K. Karasik, Carrio, Karasik &
Associates, LLP, and Michael
J. Salovay,

Respondents.



**DIVISION OF ENFORCEMENT'S MOTION FOR PARTIAL SUMMARY
DISPOSITION AGAINST RESPONDENT MICHAEL SALOVAY**

Andrew O. Schiff
Regional Trial Counsel
Direct Line: (305) 982-6390
schiffa@sec.gov

DIVISION OF ENFORCEMENT
SECURITIES AND EXCHANGE COMMISSION
801 Brickell Avenue, Suite 1800
Miami, FL 33131
Phone: (305) 982-6300
Fax: (305) 536-4154

The Division of Enforcement incorporates and adopts its Motion for Partial Summary Disposition Against Respondents Richard Hampton Scurlock, III and RTAG, Inc. (“Scurlock Motion”) For the reasons stated therein, partial summary disposition is appropriate against respondent Michael Salovay.

I. Statement of Facts

Salovay is a resident of [REDACTED].¹ In approximately 2009, Salovay saw Diversified Energy Group, Inc.’s advertisement in a professional journal.² At the time, Salovay was not registered as or with a broker dealer.³ Salovay did have a state insurance license, and the people he introduced to Diversified were either clients, or people who heard about Diversified from his clients.⁴

Salovay did due diligence on Diversified, including an in-person visit, and he received Diversified’s offering memorandum and brochure.⁵ Salovay ultimately entered into a finders agreement with Diversified substantially identical to the agreement entered into by Scurlock.⁶ As part of the process of referring his insurance clients to Diversified, Salovay took steps such as providing them with Diversified’s offering materials, explaining the Diversified investment, describing the industry and the bonds, and discussing the potential risks.⁷

¹Order Instituting Proceedings (“OIP”) ¶ 9. Salovay did not deny this allegation of the OIP and it is therefore deemed admitted. *See* 17 C.F.R. 201.220(c) (“Any allegation not denied shall be deemed admitted.”).

²OIP ¶ II.F.3.a and Salovay’s Answer thereto. Although Salovay did not file his answer, which took the form of a letter to the Division’s counsel, the Division submitted it as an attachment to its status report dated March 6, 2015.

³OIP ¶ II.F.3.c and Salovay’s Answer thereto.

⁴Salovay’s Answer to OIP ¶ II.F.3.a, 3.b, 3.c.

⁵Exh. 1 (Salovay Investigative Testimony) (“Salovay Test.”), at 13:2-16:7.

⁶Exh. 2 (finders fee agreement); Exh. 1 (Salovay Test.), at 45:5-46:8.

⁷Exh. 1 (Salovay Test.), at 33:11-35:5.

Between 2009 and 2012, Salovay received approximately \$100,000 in commissions from Diversified.⁸ Assuming a commission rate of 10%,⁹ and totally excluding renewals, Salovay was responsible for bringing more than \$900,000 of investor money into Diversified.

II. Salovay Violated Exchange Act 15(a) By Acting as an Unregistered Broker

Under the standards discussed in the Scurlock Motion, Salovay acted as a broker at a time he was not registered as such, in violation of Section 15(a) of the Securities Exchange Act of 1934. He received a significant amount of transaction based compensation over a 30-month period, did due diligence on Diversified, and at least with respect to some of his clients, provided them with documentation and discussed with them the bonds and the risks thereof. Any reliance by Salovay on *SEC v. Kramer*, 778 F. Supp. 2d 1320 (M.D. Fla. 2011), would fail. In addition to *Kramer*'s inconsistency with Commission precedent, it is distinguishable for the same reasons as it is with respect to Scurlock: unlike Kramer, Salovay had a direct contractual relationship with the issuer, from whom he received transaction based compensation, and the investors he received commissions for were not friends and family but were either his insurance clients or people his insurance clients brought to the table themselves. Thus, based on these facts, even if there were a "finder" exception to the registration requirement, Salovay would not satisfy it.

CONCLUSION

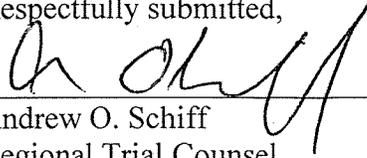
For the reasons set forth above and in the Scurlock Motion, the Commission requests that its motion for partial summary disposition be granted.

⁸Exh. 3 (Diversified quickbook record); Exh. 4 (Day 2 of Salovay testimony), at 117:18-118:8. The quickbook record shows \$101,790.01 in payments to Salovay. In his testimony, Salovay did not recognize two of the names, representing \$1,800 in payments.

⁹Salovay testified that he received 10% commission on initial investments and 7-8% on renewals. *See* Exh. 4 (Salovay Test. Day 2), at 115:9-116:19.

May 22, 2015

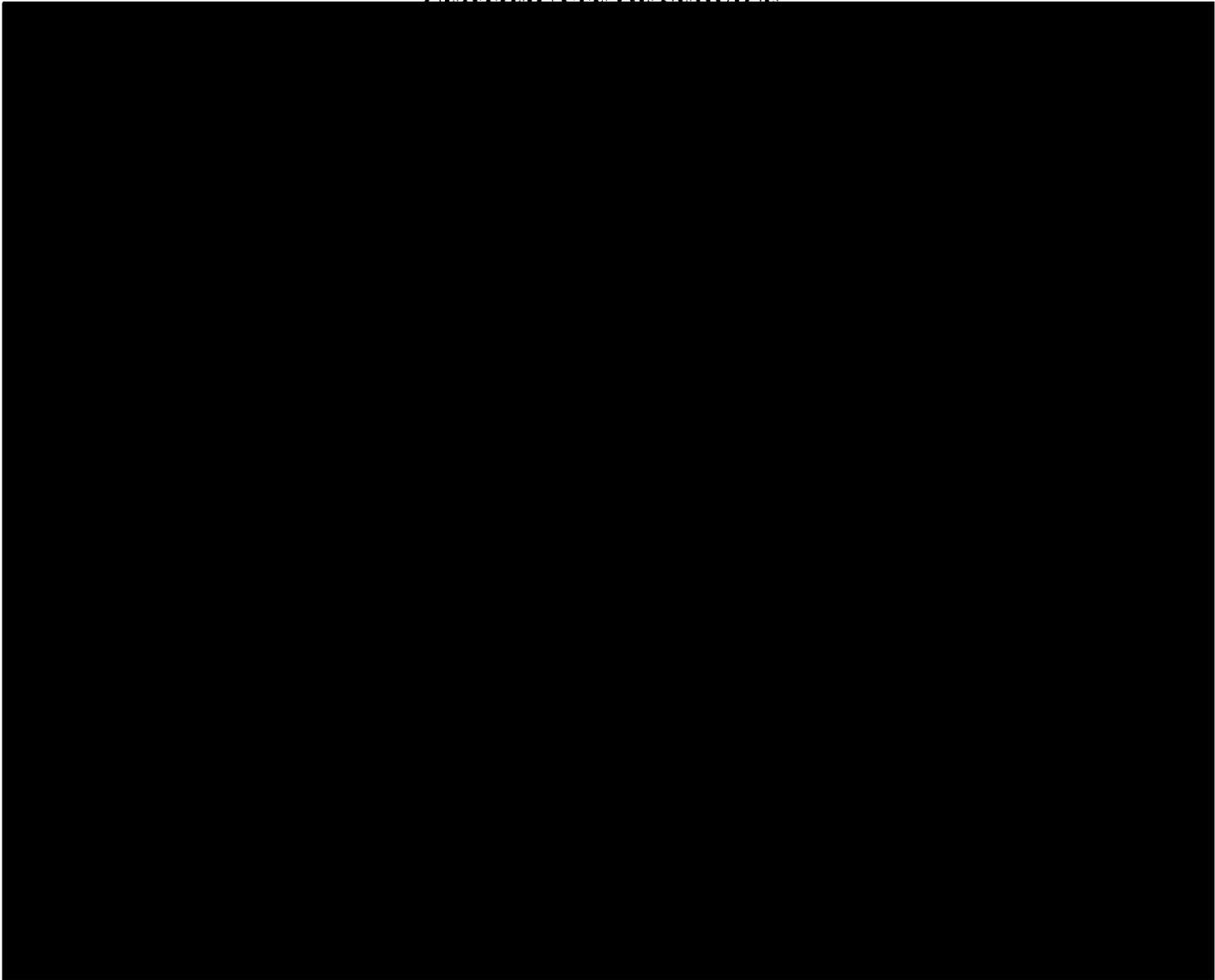
Respectfully submitted,



Andrew O. Schiff
Regional Trial Counsel
Direct Line: (305) 982-6390

DIVISION OF ENFORCEMENT
SECURITIES AND EXCHANGE COMMISSION
801 Brickell Avenue, Suite 1800
Miami, FL 33131
Phone: (305) 982-6300
Fax: (305) 536-4154

CERTIFICATE OF SERVICE





UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. FL-03747-A
DIVERSIFIED ENERGY GROUP, INC.)

WITNESS: Michael Joseph Salovay

PAGES: 1 through 81

PLACE: US Attorney's Office

700 Grant Street

Suite 4000

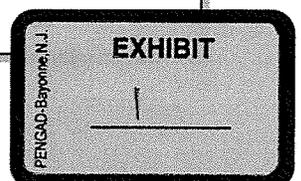
Pittsburgh, PA 15219

DATE: Thursday, February 6, 2014

The above-entitled matter came on for hearing,
pursuant to notice and via videoconference, at 10:29 a.m.

Diversified Reporting Services, Inc.

(202) 467 9200



Page 2

1 APPEARANCES:
 2
 3 On behalf of the Securities and Exchange Commission:
 4 (Via Videoconference)
 5 SHELLY-ANN A. SPRINGER-CHARLES, ESQ.
 6 Securities and Exchange Commission
 7 Division of Enforcement
 8 801 Brickell Avenue
 9 18th Floor
 10 Miami, FL 33131
 11 (305) 416-6282
 12
 13 On behalf of the Witness:
 14 MICHAEL SALOVAY, PRO SE
 15
 16 ALSO PRESENT:
 17 Jonathan Grant, ESQ.
 18 Securities and Exchange Commission
 19
 20
 21
 22
 23
 24
 25

Page 4

1 PROCEEDINGS
 2 MS. SPRINGER-CHARLES: We are on the record
 3 at approximately 10:30 a.m. on February 6, 2014. My
 4 name is Shelly Ann Springer-Charles. I'm a member of
 5 the staff of the Enforcement Division of the Securities
 6 and Exchange Commission. I'm an officer of the
 7 commission for the purpose of this proceeding.
 8 Let the record reflect that I'm located in
 9 the offices of the Miami regional office of the FCC in
 10 Miami, Florida.
 11 And I'm participating in proceeding via
 12 videoconferencing. Mr. Salovay is testifying in
 13 this proceeding from the US Attorney's Office in the
 14 Western District of Pennsylvania.
 15 We will swear the witness now. Please raise
 16 your right hand, Mr. Salovay.
 17 Whereupon,
 18 MICHAEL JOSEPH SALOVAY
 19 was called as a witness and, having been first duly
 20 sworn, was examined and testified as follows:
 21 MS. SPRINGER-CHARLES: Let the record reflect
 22 that in the room with me is a staff attorney, Jonathan
 23 Grant. He is here observing the testimony today. He
 24 will not be asking any questions. And at some point he
 25 may leave and I would also indicate that on the record.

Page 3

1 CONTENTS
 2
 3 WITNESS: EXAMINATION
 4 Michael Salovay 5
 5
 6 EXHIBITS: DESCRIPTION IDENTIFIED
 7 No. 70 Series of Documents 63
 8 No. 117 Business Card 53
 9 No. 136 Finder's Fee Agreements 44
 10 No. 183 Subpoena 7
 11 No. 184 Subpoena 8
 12 No. 185 Background Questionnaire 20
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25

Page 5

1 EXAMINATION
 2 BY MS. SPRINGER-CHARLES:
 3 Q Mr. Salovay, will you please state your name
 4 and spell your name for the record?
 5 A It is Michael Joseph Salovay, M-i-c-h-a-e-l,
 6 J-o-s-e-p-h, S-a-l-o-v-a-y.
 7 Q This is an investigation by the United States
 8 Securities and Exchange Commission in the matter of the
 9 Diversified Energy Group, Inc., to determine if there
 10 have been violations of certain provisions of the
 11 federal securities law.
 12 However, the facts developed in this
 13 investigation might constitute violations of other
 14 federal or civil, state or criminal laws. Prior to the
 15 opening of the record, you were provided with a copy of
 16 the formal order of investigation in this matter. It
 17 will be available for your examination during the
 18 course of this proceeding.
 19 Mr. Salovay, have you had an opportunity to
 20 review the formal order?
 21 A I have.
 22 BY MS. SPRINGER-CHARLES:
 23 Q I'm going to ask, you have already been
 24 handed Exhibit No. 1, which is a copy of Form 1662,
 25 which is a information supplemental information form.

Page 6

1 Prior to opening of the record, you were provided with
 2 a copy.
 3 Have you had the opportunity to read Exhibit
 4 No. 1, Mr. Salovay?
 5 A Yes.
 6 Q Do you have any questions concerning Exhibit
 7 No. 1?
 8 A No.
 9 Q Mr. Salovay, are you represented in this
 10 matter by counsel?
 11 A I am not.
 12 Q You have the right to be accompanied,
 13 represented and advised by counsel. This means that
 14 you may have an attorney present. And that your
 15 attorney can advise you before, during and after your
 16 examination here today.
 17 Do you understand this?
 18 A Yes.
 19 Q Since you are not represented by counsel,
 20 there are certain matters discussed in Diversified
 21 Exhibit No. 1 that I want to highlight for you.
 22 Do you understand that, upon your request,
 23 these proceedings will be adjourned so that you may
 24 obtain counsel?
 25 A I do.

Page 7

1 Q Do you understand that the statutes set forth
 2 in Diversified Exhibit No. 1 provide criminal penalties
 3 for knowingly providing false testimony or knowing
 4 using false documents in connection with this
 5 investigation?
 6 A Yes.
 7 Q Do you understand that you may assert your
 8 rights under the Fifth Amendment to the constitution
 9 and refuse to answer any question which may tend to
 10 incriminate you?
 11 A I do.
 12 Q I notice that you are -- are you taking notes
 13 on your own paper or are you writing on one of the
 14 documents?
 15 A I'm taking notes on my own paper.
 16 Q Okay. You are not allowed to transcribe
 17 these proceedings verbatim, but you may take notes.
 18 A Okay.
 19 MS. SPRINGER-CHARLES: I'm going to ask the
 20 Court reporter to mark the subpoena dated January 6,
 21 2014, as Diversified Exhibit No. 183.
 22 (SEC Exhibit No. 183 was
 23 marked for identification.)
 24 BY MS. SPRINGER-CHARLES:
 25 Q It is a copy of a subpoena from myself or

Page 8

1 from the United States Securities and Exchange
 2 Commission to Michael Joseph Salovay.
 3 Mr. Salovay, you've been handed what should
 4 be a copy of a subpoena dated January 6, 2014 from the
 5 US Securities and Exchange Commission to yourself; is
 6 that correct?
 7 A That's correct.
 8 Q It is Exhibit No. 183. Is this a copy of the
 9 subpoena that you are appearing pursuant to here today?
 10 A That is correct.
 11 Q You can put that document aside.
 12 A Back to the court reporter?
 13 Q You can place it to the side. The court
 14 reporter will collect the documents when you are
 15 finished.
 16 A Okay.
 17 MS. SPRINGER-CHARLES: I'm going to ask the
 18 Court reporter to mark the subpoena that is dated
 19 January 31, 2013 from the United States Securities and
 20 Exchange Commission to Michael Joseph Salovay as
 21 Exhibit No. 184 and then please hand it to the witness.
 22 (SEC Exhibit No. 184 was
 23 marked for identification.)
 24 BY MS. SPRINGER-CHARLES:
 25 Q Mr. Salovay, you've been handed a subpoena

Page 9

1 dated January 31, 2013 from the Commission to yourself;
 2 is that correct?
 3 A Yes.
 4 Q. This subpoena calls for the production of
 5 certain documents.
 6 Have you tendered to the staff all documents
 7 called for by the subpoena?
 8 A I believe so, yes.
 9 Q Can you please describe the search that was
 10 conducted for the subpoena documents and state who
 11 conducted the search?
 12 A As far as on my end, sending material?
 13 Q Yes. Correct.
 14 A I did the search for all materials.
 15 Q Did anyone assist you in doing the search?
 16 A No.
 17 Q Where did you gather the materials from?
 18 A My files, my office.
 19 Q Were they on your computer or stored in hard
 20 copy or both?
 21 A Stored in hard copy. And I believe there are
 22 one or two documents that Diversified Energy sent me
 23 that I printed off. And it was their sales material or
 24 their quarterly statement that was e-mailed that I
 25 printed out.

1 **Q Have you withheld any documents called for by**
 2 **the subpoena based on any claim of privilege?**
 3 A No.
 4 **Q Were any documents called for by the subpoena**
 5 **not produced for any reason other than privilege?**
 6 A To the best of my knowledge, no.
 7 **Q Do you know of any documents responsive to**
 8 **this subpoena, but not provided, that were in your**
 9 **possession at a prior time or that were lost, destroyed**
 10 **or otherwise disposed of?**
 11 A I don't believe so, no.
 12 **Q If we look at this subpoena attachment**
 13 **request No. 3 asks for all documents relating to or**
 14 **reflecting any and all due diligence you conducted on**
 15 **Diversified and its securities prior to offering or**
 16 **selling any and all Diversified securities.**
 17 **Mr. Salovay, did you conduct any due**
 18 **diligence on Diversified and its securities prior to**
 19 **offering or selling its securities?**
 20 A It was in -- I called them personally and
 21 asked them multiple questions for multiple days. But
 22 everything that I did on my due diligence was done
 23 directly with Diversified.
 24 **Q Who did you speak to?**
 25 A Matthew Welch.

1 **Q When was this?**
 2 A Are we looking for an exact date? Because I
 3 don't recall the exact date.
 4 **Q A year would be fine.**
 5 A I would say 2008. It would be between 2007
 6 and 2008, rather, I'm sorry. And how I received their
 7 phone number was -- I'm sorry?
 8 **Q Go ahead?**
 9 A How I got their phone number was through a
 10 professional sales journal.
 11 **Q Do you know the name of that journal, do you**
 12 **remember?**
 13 A I don't remember. I know they had a full
 14 one-page ad. And it is a monthly journal I used to
 15 get, professional periodic. I think it might have just
 16 been called, Sales Journal.
 17 **Q What did the ad say?**
 18 A It was just a big picture that said about gas
 19 and energy, about helping your clients and there was
 20 just a phone number. It was a real basic ad. It
 21 looked like a golf course.
 22 **Q And then you contacted Diversified using the**
 23 **number on that ad?**
 24 A That's correct.
 25 **Q And you spoke with Matt Welch on several**

1 **occasions shortly after that?**
 2 A Correct. It was actually for weeks before
 3 I --
 4 **Q Did you -- go ahead.**
 5 A We discussed for weeks, because I was asking
 6 them multiple questions. I would say our total phone
 7 time had to be somewhere between seven or eight hours
 8 total.
 9 **Q And I would like to get into a little bit**
 10 **later exactly what was discussed.**
 11 A Okay.
 12 **Q Did you document any of those discussions?**
 13 A I took some notes to the side, but sometimes
 14 I was either traveling in my car with some free time
 15 and not at my office, so, no, I don't have full page
 16 documents, just some notes I took.
 17 **Q Do you still have those notes?**
 18 A I might. I would have to go back to my legal
 19 pads that I keep. That would take some time.
 20 **Q After testimony we would appreciate it if you**
 21 **could follow up and look for those notes.**
 22 A Okay. Sure. I can tell you there are no
 23 dates or anything on the notes. It is just me
 24 scribbling on a pad.
 25 **Q That's fine.**

1 A Okay.
 2 **Q Did you do anything else in the way of due**
 3 **diligence? Did you look up the company up online, is**
 4 **there anything else that you did?**
 5 A I did look it up online on their website.
 6 **Q Did you print out a copy of the website at**
 7 **the time?**
 8 A No.
 9 **Q Okay.**
 10 A And --
 11 **Q Anything else?**
 12 A Yeah, after we started conducting business, I
 13 actually flew down on my own dime to make sure they
 14 actually had an office, this place was a legitimate
 15 place of business.
 16 **Q And this was after you had referred the first**
 17 **investor that you referred to Diversified?**
 18 A Correct.
 19 **Q How many times did you fly down; on one**
 20 **occasion?**
 21 A Just one occasion.
 22 **Q And who did you meet with?**
 23 A Matthew Welch, Carmine -- pardon me, I'm
 24 terrible with names, David Havanich and their office
 25 manager, Candic. And I don't know her last name.

1 **Q And what did you discuss at, you know, on**
 2 **that occasion?**
 3 A I went down just to make sure this was an
 4 operation and that they were actually doing what they
 5 were saying. And then we went to lunch.
 6 **Q Go ahead, continue.**
 7 A We just went to lunch and discussed business
 8 and potential clients. And then they showed me around
 9 their office, their operations. We went to dinner and
 10 then I flew --
 11 **Q What, specifically, did they show you?**
 12 A Their office. They had a large map of the
 13 United States, Canada, Mexico, in their lobby. And
 14 they had different colored pins for the wells, gas and
 15 oil wells that they owned.
 16 **Q Did they show you anything else?**
 17 A No, not really, just basically their office
 18 and their staff.
 19 **Q Did they show you any financial documents at**
 20 **that time?**
 21 A No.
 22 **Q Did you ask to see any?**
 23 A No, because they were -- they would -- all
 24 the financial documents they sent were directly to the
 25 clients so everybody had their -- their statements that

1 they were showing as far as what they supposedly had in
 2 reserves and how they were growing their business.
 3 **Q When you were conducting your due diligence,**
 4 **did you receive copies of Diversified's offering**
 5 **materials?**
 6 A Yes. As far as their subscription
 7 agreements? Yes.
 8 **Q Their confidential offer memorandum. Did you**
 9 **receive a brochure at that time?**
 10 A Can we go back. Are we talking when I first
 11 contacted them and discussed this?
 12 **Q Yes, correct.**
 13 A Not on our original phone calls, no. It was
 14 sent weeks later.
 15 **Q So, before you referred the first customer,**
 16 **you had not received any documents from Diversified?**
 17 A No, that is not true. Before the first
 18 customer was referred, I did have documents.
 19 **Q What, specifically, did you have?**
 20 A There was the offering, I think it was a
 21 506-A and 508-A and then also the applications. And,
 22 then, also their sales piece and brochure.
 23 **Q Did you read those documents?**
 24 A I did.
 25 **Q Cover to cover?**

1 A The sales brochure, yes. The application,
 2 yes. The 506-A and, I think it is a 506-A and a 508, I
 3 read 99 percent of it. Some of it was about their
 4 different wells and the stuff that they owned. I
 5 didn't get too much into that. I was looking more at,
 6 for the client end of it, not their, you know, what
 7 specific oil and gas wells they owned.
 8 **Q Do you mean -- did you mean a 506 and a 504?**
 9 A That's correct, yes.
 10 **Q And we'll get into this, again, a little bit**
 11 **more. I just want to kind of get through explaining to**
 12 **you how things will go today before we get a little bit**
 13 **further in. You did not produce any correspondence**
 14 **between you and any of the investors that you referred**
 15 **to Diversified. Why not?**
 16 A My investors or the Diversified --
 17 **Q The Diversified investors.**
 18 A May I ask a question? I'm a little confused.
 19 Are you talking about my personal clients or
 20 Diversified like Matthew, Carmine and David?
 21 **Q Your clients, your clients to whom you**
 22 **referred to Diversified, to whom you sold the**
 23 **Diversified investment, you did not produce any e-mail**
 24 **correspondence, for example, with those clients. Why**
 25 **not?**

1 A Everything was face to face.
 2 **Q You did not have any e-mail correspondence?**
 3 A No. I always meet a lot of my clients face
 4 to face. Actually, a lot of my clients are outside of
 5 Pittsburgh and don't even own computers.
 6 **Q You also didn't produce any correspondence**
 7 **between yourself and Diversified. Why is that?**
 8 A That is when things started to get a little
 9 confusing for me. They would never do anything via
 10 e-mail except they sent me like an e-mail attachment
 11 for their applications, or their 506.
 12 **Q For those e-mails that you did get, you**
 13 **didn't produce any. Why not?**
 14 A Because all it was, it was an e-mail file of
 15 -- with the application and I just printed it out once
 16 I had a copy of it. I just made photocopies for
 17 myself. So, I didn't save it, no.
 18 **Q And you no longer have them?**
 19 A No.
 20 **Q You no longer have those e-mails?**
 21 A That's correct.
 22 **Q Mr. Salovay, I have to ask this question.**
 23 **Are you on any medication that would impact your memory**
 24 **or ability to understand and respond to questions?**
 25 A No.

1 Q Let me explain the procedure --
 2 A Besides the jet lag and just getting in this
 3 morning, no.
 4 Q Okay. Thank you. We've already sort of
 5 started talking, let me briefly explain the procedure
 6 we will follow today. We will be asking you questions.
 7 At any time if you want to take a short break to use
 8 the bathroom or drink some water, fell free to tell us
 9 and we'll accommodate you.
 10 A Okay.
 11 Q Also, the court reporter transcribes these
 12 proceedings. And we will create a transcript of your
 13 testimony at the end. During your testimony, any
 14 member of the staff may ask a question or a series of
 15 questions. Today I'm the only one here that will be
 16 asking questions.
 17 Please allow the staff to complete the
 18 question before responding. Simply because if we talk
 19 over one another, the testimony will not be clear. If
 20 you do not understand a question, please let us know
 21 that so we can try to clarify the question for you.
 22 Please make sure to answer my questions verbally,
 23 because the court reporter cannot pick up nodding or
 24 any other gestures.
 25 Do you understand?

1 A Yes.
 2 Q You may tell me at any time, if you like, to
 3 change or modify a previous answer. I also want to
 4 inform you that we do not have conversations off the
 5 record. When we go off the record and we talk, I will
 6 summarize what we've talked about when we go back on
 7 the record.
 8 Do you understand?
 9 A Yes, I do.
 10 Q During the course of testimony today I'm
 11 going to ask you questions about things that happened
 12 or may have happened in the past. Obviously, time has
 13 gone by since those events and you are likely to have a
 14 better and more complete memory of some of them than
 15 others.
 16 When answering a question about these events,
 17 however, you should tell me about all of your memories
 18 or recollections that are responsive to the question,
 19 not just those that are specific or perfectly clear or
 20 those of which you are sure. I'm asking you, also, for
 21 vague memories, general memories, cloudy memories
 22 and/or memories of which you are less than 100 percent
 23 certain. In other words, I'm asking you for any
 24 responsive recollection whatsoever you may have,
 25 however, incomplete or uncertain or vague or

1 nonspecific it may be. We can then sort out which
 2 memories are clear and certain and which are less clear
 3 and less certain.
 4 Do you understand this?
 5 A I do.
 6 Q Therefore, if you answer, I do not recall or
 7 I don't remember or I forget, I will assume that you
 8 have no memory or recollection whatsoever that is
 9 responsive to the questions asked, not even fuzzy or
 10 less than crystal clear memories.
 11 Do you understand that?
 12 A I do.
 13 Q And maybe in reviewing certain documents
 14 refreshes your recollection as to events you are
 15 questioned about, in such a case, I'm asking for your
 16 testimony on everything that is responsive to the
 17 question, not just clear on specific recollections.
 18 Do you understand this?
 19 A Yes, I do.
 20 MS. SPRINGER-CHARLES: I'm going to ask the
 21 Court reporter to mark a copy of the background
 22 questionnaire that is dated 1/30/14 by Michael Joseph
 23 Salovay as Exhibit No. 185 and please hand it to the
 24 witness.
 25 (SEC Exhibit No. 185 was

1 marked for identification.)
 2 MS. SPRINGER-CHARLES:
 3 Q Mr. Salovay, you have been handed Exhibit No.
 4 185. Is it a copy of the background questionnaire that
 5 you completed?
 6 A Yes, it is.
 7 Q Did you provide all of the answers contained
 8 in this exhibit yourself, Mr. Salovay?
 9 A I did.
 10 Q Are all the answers contained in Exhibit 185
 11 accurate and complete to the best of your knowledge?
 12 A Yes. But I noticed in question 27 I did it
 13 backwards. I just noticed that.
 14 Q That's fine.
 15 A Okay.
 16 Q And we can actually start with question No.
 17 27. The answer was yes; right?
 18 A Yes.
 19 Q And I want to discuss for a minute your
 20 employment history. And we can start in the order that
 21 it is listed.
 22 A Okay.
 23 Q And just discuss for me each of these
 24 positions and your role at these different companies?
 25 A Okay.

1 **Q** Just generally discuss them starting with the
2 first one?

3 A Pro Pipe was a -- it was a company that did
4 polyethylene slip lining for municipalities, private
5 companies. And my job was to go out and sale their
6 services, as far as replacing sewer lines, gas lines,
7 the old copper and the old metal and plastic piping
8 with this new polyethylene piping system that they had.

9 **Q** Okay.

10 A Thrifty Pallet was a company that actually
11 did shipping containers, made pallets, recycled
12 pallets, took old pallets turned them into mulch. And
13 my job there was to actually run that company for them.
14 And then Interspace Airport Advertising, I was just a
15 salesperson for them. They actually sold, if you ever
16 went into an airport, those lit up signs.

17 And if you go into baggage claim where you
18 pick up the phone where you can make reservations for
19 hotels, so I flew around the country working with the
20 airport authorities on getting their -- different
21 companies from their airport area to do advertising in
22 their airport.

23 And then I went to American Express Financial
24 Advisors. I was a financial advisor there. And I just
25 became a manager in training for a couple of months,

1 but it was mostly just financial advisor. Then I got
2 head hunted away over to Met Life, again, as a
3 financial advisor. And, then, I left Met Life --

4 **Q** And you were with American Express from 1997
5 to 1999?

6 A I'm sorry, yes, that is correct.

7 **Q** Go ahead.

8 A And then I left Met Life to start my own
9 business where I was a financial advisor. You know
10 what? I just remembered, I missed something in between
11 my two self-employs. I just realized that.

12 **Q** Okay.

13 A In Pittsburgh, Pennsylvania I worked for
14 National City Bank. And that was from, I want to say,
15 May of 2007 to August of 2007.

16 **Q** What did you do with National City Bank?

17 A I was their financial advisor for a local
18 branch in Squirrel Hill.

19 **Q** So, when did you become self-employed? Were
20 you self-employed starting in 2001 through May of 2007?

21 A That's correct. And then I was at National
22 City Bank.

23 **Q** Go ahead.

24 A And I was at National City Bank from May of
25 2007 to August 2007.

1 **Q** Okay.

2 A Then I was back to being self-employed from
3 August of 2007 to present.

4 **Q** When you became a financial advisor with
5 American Express, did you obtain a securities license
6 or commodities license?

7 A Securities 7, life, accident and health
8 license. And then a series, I think, State of
9 Pennsylvania is 66.

10 **Q** So, you obtained that in about 1997?

11 A Correct.

12 **Q** Both of those licenses?

13 A Correct.

14 **Q** And did you maintain those licenses all the
15 way through August of 2007?

16 A Yes.

17 **Q** Between 1997 and August of 2007, was that
18 license ever terminated or did it ever lapse?

19 A No.

20 **Q** I want to go back to No. 20 on Exhibit 185,
21 question 20.

22 A Yes.

23 **Q** Can you discuss for me these two proceedings
24 that are listed here?

25 A Absolutely. The Collizzo versus Mid South

1 Capital and myself. I had a client, James [REDACTED] and
2 Shelly [REDACTED], who put money into an account. And
3 they called the 800 number and cashed that account out
4 and then there were tax repercussions on that. And
5 they said they did not know that. So, we actually went
6 to arbitration. And what came out of arbitration was
7 that Mid South Capital, they actually were fined for
8 lack of supervision, for a document that was supposed
9 to be provided on every transaction and wasn't.

10 **Q** When did you work for Mid South Capital?

11 A I never worked for them. I was
12 self-employed. That was my broker-dealer.

13 **Q** So, that is who you held your Series 7 with?

14 A That's correct.

15 **Q** And, so, they were find for a lack of
16 supervision, as it related to you, because these were
17 your clients, your customers?

18 A That's correct.

19 **Q** And what was your specific role in that
20 proceeding? Were you fined as well?

21 A No. I've never paid a fine. I've never had
22 an errors and omissions claim.

23 **Q** Were you jointly and severally liable for the
24 fines that Mid South ended up paying?

25 A I don't know, because they've never -- we

1 kind of parted our own ways after that and there was
2 never any communication between us, so I don't have an
3 answer for that. I was never given any --

4 **Q So, do you know specifically --**

5 A Go ahead. I'm sorry.

6 **Q Go ahead.**

7 A I lost my train of thought, so I apologize.

8 **Q How was this situation resolved?**

9 A Arbitration through -- we were down in
10 Philadelphia, so there was an arbitration hearing.

11 **Q And what was the outcome of that hearing?**

12 A I believe Mid South was responsible. I want
13 to say it was \$50,000.

14 **Q And you did not have any responsibility --**

15 A Correct.

16 **Q -- as it relates to the amount that was owed
17 to the clients?**

18 A Correct. The only thing that showed up was
19 on my background check it showed up that I had a client
20 complaint.

21 **Q And was the finding that Mid South failed to
22 supervise you, because you did not give the clients a
23 specific form that disclosed that they would be taxed?**

24 A In Mid South Capital's OSJ handbook, they had
25 a page in there that discussed that every transaction

1 needed to have a form with it. And they were just
2 adding a check to an account. And they didn't even
3 know they had it in their own handbook, because they
4 were just making a deposit. And, so, it is kind of
5 what they wrote in their own OSJ journal is what came
6 back as there was lack of supervision at that point.

7 **Q And at any time did you part ways with Mid
8 South?**

9 A I did.

10 **Q Were you fired or --**

11 A No.

12 **Q Did you leave voluntarily?**

13 A I left voluntarily. Because at that time Mid
14 South was having some issues. I guess one of their
15 brokers was trading options that shouldn't have been
16 trading options. And then two of the officers from Mid
17 South Capital actually passed away within a 30-day
18 period. And it didn't look like they were going to be
19 around. In fact, they were bought out a couple of
20 months later.

21 **Q Can you now discuss for me the circumstances
22 surrounding the National City Bank proceeding that you
23 have disclosed?**

24 A Absolutely. National City Bank made an offer
25 to me to come out here in May and signed all my forms,

1 did my U4, my background check. I started working for
2 National City Bank on July 5. I worked for them for
3 over three weeks meeting clients in the bank setting.
4 And then I got an e-mail from them stating that they
5 needed me to fill out the U4, which was already filled
6 out.

7 So, basically what happened was, they never
8 did their paperwork on their end, and I was meeting
9 clients. So, what I did is I called the NASD to say
10 that National City never filed my U4 for me and I have
11 been meeting with clients for three weeks. So, I
12 turned myself in. And about a year later -- then I quit
13 National City, which was a mutual separation, because I
14 wasn't happy with them and they weren't happy that I
15 called the NASD. So, we mutually separated.

16 And then about a year later the NASD called
17 me and asked me why my U4 wasn't filed. I said, I did
18 my paperwork, but National City never did theirs. And
19 then a couple months later National City Bank went out
20 of the business and now it is PNC. That one I got
21 fined \$5,000.

22 **Q Did you have copies of the paperwork that you
23 had filed with National City?**

24 A Yes. I was very displeased with that meeting
25 with the NASD, because it looked like I did all of my

1 work --

2 **Q I guess, when you mentioned that you had
3 called the NASD once National City mentioned that you
4 needed to fill out the U4 again, you, in fact, called
5 the NASD?**

6 A Correct.

7 **Q At that time what happened?**

8 A I'm sorry, I think it was FINRA back then,
9 not NASD. I think it is FINRA. I talked to the
10 gentleman on the phone, told him the situation. I
11 don't have his name or anything. And then I went into
12 National City and told them I was displeased. I wasn't
13 happy that I was actually meeting with clients and they
14 never filled out my paperwork, because according to the
15 package that they sent me on my employment, as of May
16 5th, I was ready to go for employment of July 5th.

17 **Q And, so, shortly after calling the NASD you
18 decided to leave National City?**

19 A Yes, we both decided that that was probably
20 best for everybody, as far as National City and myself,
21 because I wasn't happy and they weren't happy that I
22 made the phone call. And then a year later the
23 NASD/FINRA contacted you and said what? I had to go to
24 Philadelphia again. And they asked me questions about
25 it. And then they came back and fined me for not

1 changing my U4 in a timely manner.
 2 **Q What do you mean by, not changing it?**
 3 A That I never -- I never changed it from
 4 employment from being self-employed over to National
 5 City. And then during that time period, a couple of
 6 weeks before I came over to the National City -- well,
 7 when I was working at National City, I had some health
 8 issues and stuff and large bills and I had to claim
 9 personal bankruptcy for the bills. And they said I
 10 didn't change that in a proper timely manner within 30
 11 days. And it was on my initial application to National
 12 City that there was a proceeding for bankruptcy, but it
 13 wasn't completed. It was just starting.
 14 **Q On the initial U4 that you filed, that you**
 15 **stated that you gave to National City, did you disclose**
 16 **the bankruptcy on that form?**
 17 A That it wasn't processed. Not that it was a
 18 bankruptcy. There was no finalization. We didn't get
 19 anything back from the creditors. The court wasn't
 20 finalized yet.
 21 **Q Along with the \$5,000 fine that you had to**
 22 **pay, were you suspended from association with the FINRA**
 23 **firm for a certain period of time?**
 24 A I don't remember the time frame, but, yes.
 25 As far as how long the suspension was.

1 **Q Did you ultimately pay the fine?**
 2 A No. I did not.
 3 **Q Why not?**
 4 A I decided to take my business elsewhere. And
 5 I didn't, as far as doing stocks and securities and
 6 mutual funds anymore, it wasn't a big part of my
 7 business and seemed to be more of a litigation issue
 8 than it was worth. Every broker-dealer I've ever been
 9 with always had an issue with or, you know, it just
 10 wasn't worth it to me anymore.
 11 **Q What did you decide to focus your business on**
 12 **at that time?**
 13 A Disability insurance, life insurance.
 14 **Q However, you did sell the Diversified**
 15 **security; correct?**
 16 A That's correct. And after they did a
 17 background check on me, they asked me about that, and I
 18 told them. And they said, it is not an issue. They
 19 checked with their supposed FCC attorney to find out.
 20 And they said it is a finder's fee. There is no
 21 commissions paid. It is a finder's fee, so I was fine.
 22 **Q Who, exactly, did you speak to about that**
 23 **particular topic?**
 24 A Matthew Welch said he discussed it with their
 25 -- they supposedly had an FCC attorney, Robert [REDACTED].

1 **Q Okay.**
 2 A And they said that, yeah, they have a
 3 bunch --
 4 **Q What, specifically --**
 5 A I was just making sure --
 6 **Q What, specifically, did Matthew Welch say**
 7 **that he discussed with Mr. Hackney?**
 8 A He wanted my background check and stuff like
 9 that. And they went through it. And they said, well,
 10 I had an insurance license. He asked if I had a
 11 securities license anymore? I said, no, it is
 12 suspended. He said, that's okay. We have a bunch of
 13 insurance agents that are selling our product, he
 14 checked with Robert Hackney and he said it was a
 15 finder's fee, it is not commission, so I was good to
 16 sell the product.
 17 **Q From your prior time as a registered rep with**
 18 **Mid South, National City, Met Life and American**
 19 **Express, in connection with your training to get your**
 20 **Series 7 securities license, were you never told that**
 21 **you needed to be a registered representative to receive**
 22 **transaction based compensation?**
 23 A Was I ever told that or just know that?
 24 **Q Yes. Know or were you told that?**
 25 A For commissions, absolutely. But the way

1 Diversified put it out there, they said it was a
 2 finder's fee.
 3 **Q And how was that different than commission?**
 4 A They said, bringing clients to them instead
 5 of going out and soliciting it yourself or if I brought
 6 other brokers to them.
 7 **Q How, I guess, how is solicitation, in your**
 8 **mind, different than bringing clients to them?**
 9 A Because they were actually -- they actually
 10 did the sales presentation in dinner settings.
 11 **Q But you would find the clients for them to do**
 12 **the sales presentations to?**
 13 A They were already my clients as far as
 14 insurance.
 15 **Q Your insurance clients?**
 16 A Correct.
 17 **Q Did you ever provide any of those clients**
 18 **with any of the Diversified offering materials that you**
 19 **received from Matthew Welch?**
 20 A Yes.
 21 **Q Did you ever explain the Diversified**
 22 **investment to any of the clients?**
 23 A Yes.
 24 **Q Did you describe the industry and how the**
 25 **bonds worked to clients?**

1 A Yes.

2 **Q Did you weigh in on the merits of the**
3 **investment, whether you thought it was a good**
4 **investment, whether you thought it had a good potential**
5 **for returns?**

6 A My knowledge on all of that is that it is
7 just potential. I've always told them, it is an
8 investment. There is always risk involved.

9 **Q So, you discussed potential risks with the**
10 **clients as well?**

11 A Yes, and that it was not a, it wasn't rated
12 by moody's or S&P as a bond. That it was a private
13 investment.

14 **Q Did you ever guarantee investors a specific**
15 **rate of return?**

16 A No. Me personally? No.

17 **Q When potential investors had questions or**
18 **concerns about the Diversified investment prior to**
19 **investing, did you discuss those questions and concerns**
20 **with those investors?**

21 A Either I discussed it with them or I sent
22 them to call Matthew or Carmine.

23 **Q And you talked about the offering materials.**
24 **Did you share the brochures, the business plans,**
25 **subscription agreements, questionnaires with --**

1 A Yes, Matthew either sent packages directly to
2 the clients, or to myself, which was a full folder that
3 would have their sales piece in it, their offering
4 forms and the applications and their past quarterly
5 reports.

6 **Q And you would pass those onto prospective**
7 **investors?**

8 A Most of our investors was -- I would invite
9 my clients and they would invite their friends or
10 family to a dinner session and they would hand them out
11 personally to investors in the group. And they would
12 talk about --

13 **Q Did you ever --**

14 A I'm sorry, go ahead.

15 **Q You go ahead.**

16 A And then they would discuss their business,
17 what they did. And clients would ask questions to
18 either Matthew or Carmine concerning their
19 presentation, the company, so on and so forth. And
20 then the clients would have those packets in their
21 hand.

22 **Q How often did they have these types of**
23 **meetings?**

24 A About once a year.

25 **Q And, so, you would invite your clients to**

1 **these meetings?**

2 A Yes, and then my clients would invite their
3 family or co-workers or friends.

4 **Q Did you ever request any financials, such as**
5 **income statements or profit and loss statements from**
6 **Diversified?**

7 A No, I did not.

8 **Q Did you ever receive any of those documents?**

9 A No, I have not. The only thing I've ever --

10 **Q Why didn't you request the financial**
11 **information?**

12 A They would show -- I never saw the profit and
13 loss. What they would show is in their quarterly
14 statements, they would show what they had in cash
15 reserves, what they were showing in oil and gas
16 reserves and the growth of the company.

17 **Q Why didn't you ever request the financial**
18 **statements of Diversified?**

19 A Never asked.

20 **Q Didn't you think it would be important to**
21 **know that information, to know how the company was**
22 **doing?**

23 A Now I do. Not then. You know, I was sold
24 a --

25 **Q Why not then?**

1 A I was sold a bill of goods. They told me
2 everything. I looked at what they were sending me as
3 far as their past statements, what they did, you know,
4 and they said they had all these reserves. I had the
5 wells and some of the gas and oil wells that they said
6 they owned I actually looked up to make sure they were
7 legitimate wells, they were.

8 **Q Did you ever set up a meeting with**
9 **Diversified and any investors?**

10 A One on one? Because we did those did dinner
11 meetings.

12 **Q Yes. Right. Aside from the dinner meetings.**

13 A There was one or two clients that they came
14 up. When they were doing their dinner meetings they
15 actually went to their house and met one on one.

16 **Q Which clients would that be?**

17 A Samuel [REDACTED] and his wife, Joanne.
18 And Samue [REDACTED] Jr. and his wife, Sharon
19 [REDACTED]

20 **Q On how many occasions did you set up a**
21 **meeting between Diversified and those two couples?**

22 A It was just once, because they were up here
23 for the dinner meeting. Those clients lived right
24 around where we were having it so they met with them
25 one on one.

1 Q So, they met with them together?
 2 A Separately at their houses each, [REDACTED]
 3 [REDACTED]
 4 Q Two separate houses?
 5 A Two separate houses, same day.
 6 Q Okay. Do you know what year that was?
 7 A Can I give you my best recollection?
 8 Q Sure.
 9 A I would have to say 2011, about February of
 10 2011.
 11 Q And what was the purpose of that meeting?
 12 Just to meet up after the meeting, the group meeting
 13 that you had?
 14 A It was actually prior to the group meeting.
 15 Q And what was the purpose of the meeting?
 16 A They were already clients and they just
 17 wanted to know, what is going on, the state of the
 18 business, how is Diversified doing, so it was more of
 19 a --
 20 Q Did you attend both of those?
 21 A I did. I did.
 22 Q And what was, I guess, did the financials of
 23 it come up, did how the company was doing financially
 24 ever come up?
 25 A Yes. And then Matthew went and told them

1 that, to the best of my recollection, they said that
 2 they were up to \$13 million in reserves. They were
 3 changing their business model a little bit. That they
 4 were actually buying feeder cattle to diversify their
 5 portfolio a little more.
 6 And my two clients, both [REDACTED] were
 7 excited about that, because they both owned cattle
 8 farms. So, then, they kept talking about, as far as
 9 Diversified buying, not just gas and oil, but also the
 10 cattle.
 11 Q So, Samuel [REDACTED] Sr. and Samuel [REDACTED],
 12 Jr., they both separately owned cattle farms?
 13 A They own them together. They are partners in
 14 that.
 15 Q Oh, together. Okay. Did you ever assist in
 16 any way in any investor's liquidation of assets used to
 17 fund the Diversified investment?
 18 A No. I believe everything they did was in
 19 cash.
 20 Q Did you mail any checks -- sorry, go ahead.
 21 A So, as far as, yeah, it was cash or money
 22 market accounts.
 23 Q Did you ever physically mail checks or cash,
 24 help, you know, for the investors?
 25 A I would mail them down to Diversified.

1 Q Did you help investors complete background
 2 questionnaires and subscription agreements?
 3 A Yes.
 4 Q Did you ever verify whether the investors
 5 were accredited or not?
 6 A Yes, we would go through a form, as far as
 7 assets, real estate. A lot of it was also on their
 8 insurance applications also, as far as filling that
 9 out, so, yes.
 10 Q When it was time for each investor, sometimes
 11 I believe some investors their bonds would be up and
 12 they would either need to be paid out or they would
 13 have the choice to reinvest, would you assist the
 14 investors in that process, in reinvesting their funds?
 15 A Correct. What they would have to do is
 16 resign the application and send it back in.
 17 Q And you would assist the investors in doing
 18 that?
 19 A Yes.
 20 Q Did you ever help any of the investors
 21 negotiate the terms of the offering?
 22 A No. As far as what Diversified was offering
 23 as far as their bond?
 24 Q Correct.
 25 A No.

1 Q You know, all of these things that we've
 2 talked about, the ways that you assisted investors in
 3 investing in the Diversified investment, did you not
 4 believe, again, that you needed a securities license to
 5 do these types of activities?
 6 A I was -- when I would contact Matthew down
 7 there, I told him my situation with the suspension on
 8 my securities license. He said, insurance agents could
 9 do this also. That they had a bunch of insurance
 10 agents around the country that were already soliciting
 11 it for them. He said, it was a registered investment
 12 through the FCC, it was registered in Pennsylvania and
 13 that an insurance license was all you needed.
 14 Q Matt Welch specifically told you that the
 15 bonds were registered with the Securities and Exchange
 16 Commission?
 17 A And the State of Pennsylvania, yes.
 18 Q On how many occasions did he tell you that?
 19 A Multiple.
 20 Q But, initially, when you first approached him
 21 to get involved in selling these securities, he told
 22 you that, he made that statement to you?
 23 A On our first conversation I don't recall
 24 that. But it was --
 25 Q But at some point, shortly thereafter?

1 A Yes. He said they were registered --

2 **Q Do you know how to confirm whether or not a**
3 **company is registered with the FCC?**

4 A Well, going through this whole process, I
5 went on the FCC website and looked at it and I saw that
6 they filed paperwork for offerings.

7 **Q And, so, that led you to believe that the**
8 **bonds were registered?**

9 A Correct.

10 **Q Do you recall specifically what paperwork you**
11 **saw filed with the FCC?**

12 A The one I saw was their initial -- I guess
13 they had a couple for, I don't know if it is called a
14 Schedule D that they file, where it says how much they
15 want to offer, what part goes towards expenses and then
16 what part goes to the actual investment. And then
17 there was one that was updated. I believe it was they
18 wanted to offer \$1 million to \$8 million, I saw that on
19 the website.

20 **Q It is your understanding that filing a Form D**
21 **with the commission registers the bonds with the**
22 **commission?**

23 A No. I was just answering your question, how
24 I looked at that stuff that I said it was filed. I
25 just went by what they ne, they are registered with the

1 FCC, they are registered with the State of
2 Pennsylvania. That they had all 50 states.

3 **Q I guess my question was: Do you personally**
4 **know how to verify whether or not a company is**
5 **registered with the FCC?**

6 A No, I do not.

7 **Q So, you did not believe that the Form D**
8 **registered them with the bonds, with the FCC; correct?**

9 A I didn't see the form until this whole matter
10 started. But after I saw that on there, at first I
11 thought, yes, because it was registered. And then I
12 guess as this process kept going further and keep
13 looking at this, that it was just a form that they
14 filed.

15 **Q So, initially, when you first made contact**
16 **with Diversified you did not go onto the website and**
17 **see the Form D?**

18 A That's correct.

19 **Q You only went onto the FCC's website once we**
20 **contacted you; is that correct?**

21 A That's correct.

22 **Q Just to make clear, in your training to**
23 **obtain the Series 7 you never learn that to have those**
24 **types of interactions with investors, for example,**
25 **helping them complete paperwork, discussing the merits**

1 **of the investment, you needed a securities license?**

2 A I've always had one. And when it was
3 suspended, again, when I contacted Matthew about this,
4 again, they said they did their background check on me.
5 They saw it was suspended. I told them the situation.
6 I told them I did not pay the fine. And he came back
7 to me and he said he checked with Robert [REDACTED], they
8 already have people with just insurance licenses that
9 are doing this, and since it was a finder's fee, it
10 wasn't an issue.

11 **Q I guess I was just asking for your personal**
12 **understanding of what you needed or did not need, I**
13 **guess, to engage in these types of discussions with**
14 **investors and help them with their paperwork and**
15 **different things like that, did you personally believe**
16 **that you needed to have a securities license?**

17 A No. Because I never did a private placement
18 before. So, I did not know. And that is when I
19 discussed it with Matthew and that's when he told me it
20 was okay. So, no, I did not.

21 MS. SPRINGER-CHARLES: I want to ask the
22 court reporter, and, I'm sorry, Desiree, we are going
23 to skip around for a minute, but to hand to Mr. Mr.
24 Salovay the document that previously has been marked as
25 Exhibit No. 136. It is a composite exhibit of finder's

1 fee agreements.

2 (SEC Exhibit No. 136 was
3 marked for identification.)

4 BY MS. SPRINGER-CHARLES:

5 **Q Mr. Salovay, you've been handed Diversified**
6 **Exhibit No. 136. Is it as I described, do you see the**
7 **word, finder's fee agreements on the top?**

8 A Yes. It is very difficult to read.

9 **Q Hopefully, when we get to the page that we**
10 **actually need to look at it is legible.**

11 A Okay.

12 **Q If you can turn to the page that is Bates**
13 **labeled 38519.**

14 A Did you say 385?

15 **Q 19, yes.**

16 A Okay.

17 **Q Are you there?**

18 A I am.

19 **Q This is a copy of a finder's fee, this page**
20 **and Page 38520 is a copy of finder's fee agreement**
21 **that's dated July 20, 2009 between Michael Salovay,**
22 **having a principal address here in Pittsburgh and**
23 **Diversified Energy Group; is that correct?**

24 A That's correct.

25 **Q And is this your signature on the page that**

1 is Bates labeled 38520, the next page?
 2 A That is my signature, yes.
 3 Q Is this the agreement that you entered into
 4 with Diversified?
 5 A I can't speak of that Page 3851 -- oh, I'm
 6 sorry, you said, start on 31, I was going to say, 318
 7 have no idea who the person is on the left. But, yes,
 8 yes, this is the agreement.
 9 Q When you talked earlier you mentioned that
 10 you had spoken with Matt Welch in 2007 or 2008, but I
 11 note that this agreement was entered into March 24,
 12 2009.
 13 Did you enter the agreement shortly after
 14 contacting Diversified?
 15 A No. There was some time that passed. And I
 16 think it was 2008 when I spoke with Matthew, not 2007.
 17 2008 is probably when I --
 18 Q Okay. Why, I guess, why did it take, I
 19 guess, approximately a year or several months before
 20 you entered into the agreement with Diversified?
 21 A I don't think -- I still had to ask them
 22 questions. It had to be the end of 2008 when I was
 23 talking with Matthew, because it was shortly -- it was
 24 only a couple of months after that in July, we
 25 discussed stuff, still never did anything with them.

1 So it was a couple of months before I did do anything
 2 with them.
 3 Q Were you still associated with a
 4 broker-dealer when you first spoke with Matthew or had
 5 you been barred at that time from association with a
 6 broker-dealer?
 7 A I don't recall the time frame on that. I
 8 know it was close.
 9 Q Can you explain what you mean by, it was
 10 close?
 11 A Well, I think when I was talking with Matthew
 12 prior, I don't know if the findings were done yet, as
 13 far as what happened with National City. But I know it
 14 came either right then or shortly after, as far as the
 15 suspension.
 16 Q So, when you first spoke with Matthew, did
 17 you tell him them that you were a registered rep?
 18 A At one point, and then I told him that I was
 19 suspended. When we finally went through this
 20 agreement --
 21 Q So, when you initially --
 22 A When we initially spoke, yes, and when we
 23 went through this agreement. And said they did a
 24 background check on me, and they did, because they
 25 asked me about the suspension and I told them. So,

1 before we entered into this agreement they absolutely
 2 knew I was suspended.
 3 Q When you first spoke with him, he, at that
 4 time may have been registered still, but you told
 5 Matthew initially that you were still registered; is
 6 that correct?
 7 A He never asked.
 8 Q Okay. But before entering into this July 24,
 9 2009, you informed Matthew or Matthew found out on his
 10 own, from his own research --
 11 A Through their own background checks, yes.
 12 Q -- that you were barred from association?
 13 A From their background check, correct.
 14 Q Okay. And, then, he stated to you that since
 15 you were a licensed insurance agent that it was still
 16 fine to sell the Diversified bonds; is that correct?
 17 A That is correct. Because he looked at my
 18 license --
 19 Q That was based on -- go ahead.
 20 A It was based on their background check and he
 21 said, well, you know, you are insurance licensed and
 22 you also have your variable annuity license in
 23 Pennsylvania, that, you know, we have other insurance
 24 agents around the country that do this. And he said,
 25 most of the people that were doing this were insurance

1 agents.
 2 Q And that was based on advice Mr. Welch
 3 received from his attorney, Mr. Hackney?
 4 A That is from what he said, yes.
 5 Q And I believe you also mentioned earlier, I'm
 6 trying to see if they were two different reasons why,
 7 more or less, in your mind.
 8 A Okay. Sure.
 9 Q You mentioned that these fees weren't
 10 classified as commissions, but as finder's fees. I
 11 just want to understand, in your mind, how that is
 12 different?
 13 A I was asking them the questions on that. And
 14 this is when, you know, Matthew was telling us that it
 15 was all registered, it was registered with the FCC, it
 16 was registered in the State of Pennsylvania, had a
 17 Pennsylvania license. I never questioned it any
 18 further, because I figured, why would a company lie
 19 about this. That is a pretty big deal.
 20 Q I guess, it being registered, how does that
 21 -- I guess, my question, specifically, though, is:
 22 What was the difference to you between commission and
 23 finder's fees?
 24 A Commission, my thought was that I was
 25 actually trading something, which in this case, he

1 said, it is not, it is a private bond. It doesn't
2 trade on any markets. It is just a fixed investment.
3 And that they, to the best of my recollection, Matthew
4 flat out told me that, that they discussed this when
5 they filed it with the FCC, when they filed it with
6 every state, this is the agreement that they had.

7 **Q Who is they, I'm sorry?**

8 A Diversified. That the FCC knew, the states
9 knew about the finder's fees. It was actually in their
10 documentation that this is the way they had it set up
11 for compensation.

12 **Q Do you believe that you need to be a
13 registered rep to receive transaction based
14 compensation?**

15 A It depends, because you can do it with an
16 insurance license also on certain -- as far as like if
17 I'm doing a fixed annuity, I get compensation on that
18 with an insurance license.

19 **Q For the sale of bonds?**

20 A No, I thought you just asked in general. For
21 the sale of bonds? Well, no.

22 **Q You do not believe that you need to have a
23 securities license?**

24 A For actively traded bonds? Absolutely. This
25 was a private placement. I've never done this before.

1 So, I will tell you, I did not know. I asked for their
2 advice on it and their direction and that is what they
3 told me.

4 **Q Okay. I just want to get your understanding,
5 so let me restate it.**

6 A No. As far as any actively traded bonds or
7 any bonds that could be traded on any market?
8 Absolutely. As you will see in my business, I've never
9 done anything, since I was suspended, for any other
10 transactions. I was told this was a private placement.
11 It was not sold on any market. It is not actively
12 traded. It is not actually traded at all.

13 **Q But if the bonds were registered, did you
14 believe that they were public -- if they were
15 registered, did you believe they were actively traded
16 or not?**

17 A No. I was under the understanding that when
18 it was registered with the FCC and was registered with
19 the states, my assumption was that the states went
20 through their filing process, they looked at the
21 documents, they knew what this bond was and that --

22 **Q But that it was still a private placement?**

23 A That it was private placement. And my
24 understanding was that the FCC and every state went
25 through the documents from Diversified, read how the

1 bond worked, read how compensation was done with the
2 finder's fee. My understanding is that all of this was
3 approved. Can I talk about Mr. Hackney for a second?

4 **Q Go ahead.**

5 A I was told for many, many months into a year
6 that Mr. Hackney was a FCC attorney. And I did not
7 know until we went to dinner when I was in Florida to
8 find out he was just a bankruptcy attorney.

9 **Q How did you find that out?**

10 A Because I went online and found out who Mr.
11 Hackney was and I questioned them about it.

12 **Q Why did you choose to go online at that time
13 in 2011 to look into Mr. Hackney, what prompted that?**

14 A Just me starting to look into this a little
15 bit more. Because they said they were also changing
16 attorneys.

17 **Q How did you know that they were changing
18 attorneys?**

19 A Matthew told me.

20 **Q Why did he say they were changing attorneys?**

21 A To my best recollection, I believe they said
22 Mr. Hackney was -- just wasn't going -- was kind of
23 slowing down his practice. He was kind of a retired
24 FCC attorney. He was just helping them out. So, they
25 were getting new counsel.

1 **Q Did you ever disclose to any of your clients
2 that you were being paid a commission for the sale of
3 the Diversified securities?**

4 A Yes.

5 **Q Did you provide them with a confirmation
6 where your, I guess, fee was disclosed?**

7 A Yes, it is actually a subscription agreement.

8 **Q In the subscription agreement it states that
9 you would be paid a fee?**

10 A Correct.

11 **Q And what that fee was and specifically what
12 that amount was?**

13 A It says, up to 10 percent. It is actually on
14 the page we are looking at, 38519.

15 **Q Um-hum.**

16 A It says the same thing in the agreement that
17 I signed. I believe, that same paragraph was also in
18 the subscription agreement.

19 **Q Okay.**

20 A I don't know if it is verbatim, but --

21 MS. SPRINGER-CHARLES: I would ask the court
22 reporter, again, and we are going to be a bit out of
23 order, but to hand to Mr. Salovay Exhibit 117.

24 (SEC Exhibit No. 117 was
25 marked for identification.)

1 BY MS. SPRINGER-CHARLES:
 2 **Q Exhibit No. 117 appears to be a copy of a**
 3 **business card belonging to Michael J. Salovay.**
 4 **Mr. Salovay, is that your business card as it**
 5 **existed at some time?**
 6 A At some time, correct.
 7 **Q And did you ever provide this business card**
 8 **to Matthew Welch or anyone else at Diversified?**
 9 A That, I don't recall.
 10 **Q Here, when you have -- what is Strategic**
 11 **Financial Investment, Insurance, what is that?**
 12 A They used to be one of my doing business as,
 13 strategic financial. And at that time I was doing --
 14 these are old cards. This is when I was self-employed
 15 doing investments and insurance.
 16 **Q Here, under your name it says,**
 17 **president-licensed representative.**
 18 **What did that mean?**
 19 A That I owned the company and that I was
 20 licensed for insurance at the time.
 21 **Q Licensed to do what?**
 22 A Insurance, annuities, long-term care.
 23 **Q Did you ever represent to anyone that used**
 24 **this card as proof to anyone at Diversified that you**
 25 **are a registered or a licensed representative?**

1 A No.
 2 **Q To sell securities products?**
 3 A No. And like I said, I can't recall now if
 4 they ever had my card, but just going back further,
 5 like I said, they did do their background, so they knew
 6 all their information about me. And I can't recall if
 7 I ever gave them --
 8 **Q They were the ones that brought up the fact**
 9 **that you no longer possess a securities license;**
 10 **correct?**
 11 A We both discussed it.
 12 **Q -- or did you bring it to their attention?**
 13 A I told them about the proceedings, but then
 14 they brought it up to me about the suspension and I
 15 said, yes, I'm absolutely suspended.
 16 **Q Who is Ron Krangnes?**
 17 A He was a -- he was an agent that came over to
 18 -- that I introduced him to. I have contracts with a
 19 hierarchy for insurance, he came over as an insurance
 20 agent to work with me for less than a couple of months.
 21 **Q What was his involvement as it related --**
 22 **when did he come over, first of all?**
 23 A Again, I'm terrible with dates, so if you can
 24 give me a second. Maybe around 2010.
 25 **Q What was his involvement with Diversified, if**

1 any?
 2 A I believe he introduced one client.
 3 **Q Where did he get that client from?**
 4 A I can't recall.
 5 **Q How did he know the client, I guess? How did**
 6 **he know the client; was it one of his insurance**
 7 **clients?**
 8 A I believe he got it from his own lead,
 9 because he had his own insurance business, so I believe
 10 it was one of his leads or contacts.
 11 **Q Was he a registered representative at the**
 12 **time he introduced that client to Diversified?**
 13 A I don't know. I just know he had his
 14 insurance licenses.
 15 **Q Was he ever -- has he ever been associated**
 16 **with a broker-dealer?**
 17 A I believe so, but to the best of my
 18 knowledge, I couldn't tell you who it is.
 19 **Q Do you know if Mr. Krangnes conducted any due**
 20 **diligence on Diversified before selling its security to**
 21 **that client?**
 22 A I don't know.
 23 **Q Did he ever have any meeting with potential**
 24 **clients to recommend the Diversified investment?**
 25 A The only one I know is that one client.

1 **Q He had a meeting with that client to discuss**
 2 **the Diversified investment?**
 3 A I believe so, yes.
 4 **Q Did he provide that client with Diversified's**
 5 **marketing and offering materials?**
 6 A I believe so, yes.
 7 **Q Did he assist that client in filling out**
 8 **paperwork that was required to purchase the bond?**
 9 A I believe so.
 10 **Q Were you a part of the meeting that he had**
 11 **with the client or any meeting that he had with the**
 12 **client that was related to Diversified?**
 13 A Yeah, I believe I was a part of the last
 14 meeting. I think he had three or four prior meetings,
 15 and I was there for the last meeting.
 16 **Q And Diversified was discussed at that**
 17 **meeting?**
 18 A Yes.
 19 **Q What, specifically, was discussed?**
 20 A I can't recall that.
 21 **Q Did he mail the check in for the client or**
 22 **mail the cash in to purchase the bond, if you know?**
 23 A I don't know.
 24 **Q So, most of the people -- all of the people**
 25 **that you sold these Diversified bonds to, were they**

1 **your insurance clients?**
 2 A They were either insurance clients or
 3 referrals of my insurance clients or family of my
 4 insurance clients.
 5 **Q Did you create. Okay. I'm sorry.**
 6 A I was done. Go ahead.
 7 **Q Did you create any separate marketing**
 8 **materials related to the Diversified investment that**
 9 **you shared with perspective investors?**
 10 A Did I create it? No.
 11 **Q I want to talk, now, about those meetings,**
 12 **those annual meetings that you mentioned before.**
 13 A Sure.
 14 **Q Did they start happening after you entered**
 15 **into that 2009 finder's fee agreement with Diversified?**
 16 A That's correct.
 17 **Q Did you have any in 2009? And that agreement**
 18 **was entered into in, I believe, it was July?**
 19 A I believe the first one was in February of
 20 2010.
 21 **Q And when was the next one?**
 22 A February or March of 2011.
 23 **Q Okay. And did you have anymore?**
 24 A I believe back in -- what was the first one;
 25 February of 2010?

1 **Q Yes.**
 2 A There was also, we did a luncheon for other
 3 investment agents, as far as becoming -- for people for
 4 them to offer the bonds.
 5 **Q In 2010?**
 6 A Correct. The first one, correct.
 7 **Q The first one was a luncheon for insurance**
 8 **agents?**
 9 A Yes. Not just insurance agents.
 10 **Q And, so, did you have any -- go ahead.**
 11 A It was just for insurance agents, anyone --
 12 people with licenses, I should say.
 13 **Q So, it was not for perspective investors, but**
 14 **for people who would sell --**
 15 A Correct.
 16 **Q Did you have a meeting in 2010 for**
 17 **perspective investors?**
 18 A Same day, just at night.
 19 **Q And did you have a meeting in 2012?**
 20 A I don't -- the original subpoena was sent
 21 out --
 22 **Q In 2012. Well, the original subpoena that we**
 23 **sent to you?**
 24 A Um --
 25 **Q Was sent in January 2013.**

1 A So, in 2012? No. Because, I'm trying to put
 2 the time line together for myself here a little bit.
 3 Because I remember at our last investors' meeting,
 4 Matthew said that they had a phone call from an
 5 attorney asking some questions.
 6 And then about, I believe it was about a
 7 month-and-a-half or about a month later was one of my
 8 clients actually sent me a letter when Diversified said
 9 they were restructuring. And here to find out that
 10 Matthew said it was one of their client's attorneys
 11 that was calling asking some questions, later to find
 12 out it was your office.
 13 **Q So, you had had one of these investor**
 14 **meetings, and at that meeting Matthew stated to the**
 15 **investors exactly what?**
 16 A He stated to me.
 17 **Q What did he state to you?**
 18 A He said, we have to change our presentation a
 19 little bit. They numbered each packet that they handed
 20 out. And on our sign-in sheet they put the packet
 21 number next to the potential investor, because he said
 22 they just had to do this because they got -- his words
 23 were, they got a phone call from an attorney out of
 24 Miami for one of their clients and they just wanted to
 25 be a little bit more thorough on this.

1 And it was right after that client meeting, I
 2 would say about a month later, that my client sent me
 3 the original subpoena that you sent to Diversified.
 4 So, it wasn't actually an attorney that called
 5 Diversified, it was actually your office. But he
 6 stated that it was just an attorney for one of their
 7 clients.
 8 **Q And why did he say he now had to number the**
 9 **packets?**
 10 A He just said that they were being more
 11 thorough. That it was a requirement to hand it back in
 12 that way, that every packet had to be with that number
 13 or every investor needed to be with that number.
 14 **Q But the investors kept the packets; correct?**
 15 A Correct.
 16 **Q And, so, the only -- I guess going back to**
 17 **the February 2010 meeting that you had for the**
 18 **potential sales agents, was that the only one of those**
 19 **types of meetings that you've ever had --**
 20 A Yes.
 21 **Q -- related to Diversified?**
 22 A Yes.
 23 **Q Who attended that meeting?**
 24 A I can't recall.
 25 **Q As far as from Diversified?**

1 A All three, Matthew Welch, Carmine and David
 2 Havanich. And, I apologize, I keep forgetting
 3 Carmine's last name. It starts with a D, I believe.
 4 Q That's fine. Where did you find the agents
 5 that attended that meeting?
 6 A Sent out invitations.
 7 Q Did you send out the invitations?
 8 A I did, yes.
 9 Q And how did you know who to send the
 10 invitations to?
 11 A There are two different things that I used.
 12 One was the Yellow Pages. And also you can look up a
 13 list of, in your zip code area, as far as people that
 14 have insurance licenses or securities licenses.
 15 Q And, what, specifically, was discussed at
 16 that meeting?
 17 A To the best of my knowledge, they just --
 18 Matthew did his presentation the same way he did it for
 19 the potential investors, as far as how the bond works,
 20 the oil and gas, the oil and gas wells that they own,
 21 how they actually purchased these oil and gas wells.
 22 And, then, you know, the agreement finder's fee.
 23 Q Did anyone discuss whether the individuals
 24 needed to have a securities license to be able to sell
 25 the bonds?

1 A No.
 2 Q Did anyone ask?
 3 A I can't recall that.
 4 Q Was a Power Point presentation given at that
 5 meeting?
 6 A I believe so, yes.
 7 Q Did you participate in any way in speaking at
 8 that meeting?
 9 A No.
 10 Q Was Mr. Krangnes at that meeting?
 11 A I believe so, yes.
 12 Q And did he participate in speaking at that
 13 meeting?
 14 A No.
 15 Q Did he invite any brokers, potential sales
 16 agents to that meeting?
 17 A I don't recall that.
 18 MS. SPRINGER-CHARLES: I'm going to ask the
 19 court reporter, again, I'm sorry we are a bit out of
 20 order, to hand Mr. Salovay composite exhibit,
 21 Diversified Exhibit No. 70.
 22 It is a series of documents related to a
 23 February 4, 2010 meeting that was scheduled to be held
 24 in Pennsylvania.
 25 (SEC Exhibit No. 70 was marked

1 for identification.)
 2 BY MS. SPRINGER-CHARLES:
 3 Q You've been handed Exhibit No. 70. On the
 4 top of this document it should say,
 5 Gmail-DEG-invitation.
 6 Do you see that?
 7 A I do.
 8 Q And there is an e-mail here from Matt Welch
 9 to Bob Hackney and it is dated January 28, 2010, and it
 10 attaches a flyer. Do you see the flyer? It is the
 11 second page.
 12 A Yes.
 13 Q Did you create these flyers?
 14 A I did, correct.
 15 Q So, this flyer?
 16 A Correct.
 17 Q And is this the flyer that you sent out to
 18 the brokers?
 19 A Correct.
 20 Q If you continue turning with me to the next
 21 e-mail, it is a January 28, 2010 e-mail. Before I
 22 continue, did you ever come to find out that the State
 23 of Pennsylvania Securities Commission had questions or
 24 concerns about the hosting of that February 4th
 25 meeting?

1 A Not prior to the meeting, no.
 2 Q Did you come to learn about it subsequent to
 3 the meeting?
 4 A Correct.
 5 Q When did you learn about it?
 6 A I don't recall. I remember this gentleman's
 7 name, Richard [REDACTED], I met with him personally.
 8 Q Can you just describe for me all of the
 9 circumstances surrounding the state's inquiry and why
 10 you met with Mr. [REDACTED] everything surrounding it?
 11 A Yeah, he asked about the invitation. And he
 12 asked what my role in it was. And I said, I sent out
 13 the invitation. He asked me about compensation. And I
 14 said, well, what they're doing is if I can bring other
 15 salespeople on board, there would be another finder's
 16 fee for me.
 17 Q When did this happen, after the meeting was
 18 held?
 19 A I don't recall. It was a short meeting with
 20 Mr. [REDACTED]. Talked with Mr. [REDACTED]. Yeah, so I don't
 21 recall.
 22 Q Did he call you or did he send you a letter?
 23 A Mr. [REDACTED]
 24 Q Yes.
 25 A He called me. He called me --

1 Q And then he asked for you --

2 A To come in. And I met him -- I met him
3 downtown here somewhere.

4 Q And did he call you before the February 4th
5 meeting, is what I'm asking, or after the meeting?

6 A I don't recall. I want to say it was after.
7 But I can't recall that.

8 Q And did you disclose to him at that time that
9 you were receiving compensation for the sale of the
10 Diversified bonds?

11 A He asked me about the compensation and I told
12 him about the finder's fee. And then I told him about
13 the agents that were coming in for this current or past
14 meeting.

15 Q I guess, can you be a bit more specific?
16 What did you tell him specifically about finder's fees?

17 A He asked about this meeting, the one we are
18 talking about here, on the previous invitation.

19 Q Okay.

20 A And I said that I was trying to get other
21 agents, because I would be getting paid a finder's fee
22 for bringing other agents in.

23 Q Did you tell him, specifically, that you were
24 being paid a commission for selling the Diversified
25 bonds?

1 Q Okay. Did you disclose to Mr. [REDACTED] that you
2 would also be having a meeting or that you also had a
3 meeting that same day with perspective investors?

4 A No. I believe --

5 Q Why not?

6 A That we were having -- did he ask or did you
7 say did I bring that up? Because I don't think we
8 actually talked, I don't remember if we talked about
9 that.

10 Q Was it ever discussed?

11 A To my best recollection, no, I don't know.

12 Q Why -- you don't know or, no, you didn't
13 bring it up?

14 A I didn't bring it up, no. And I can't recall
15 if Mr. [REDACTED] brought it up or not. I thought the base
16 of our discussion was around this invitation.

17 Q Did you think it was relevant, Mr. Salovay,
18 to bring that up at that time?

19 A Don't know.

20 Q You don't know if it was relevant? Don't you
21 think that is something that he would have wanted to
22 know surrounding this discussion?

23 A Don't know.

24 Q Did Mr. [REDACTED] explain to you why he was
25 inquiring about the meeting?

1 A I can't recall that.

2 Q Did he ask?

3 A To the best of -- to the best of my
4 knowledge, what he really asked, he asked about my
5 suspension on my license. That I know --

6 Q What did he ask about that?

7 A If it was suspended. And I told him, yes, it
8 was suspended.

9 Q Okay.

10 A That is the best I remember about that
11 meeting. It was not a long meeting, so --

12 Q And did he, in that discussion, did he tell
13 you that you needed to have a license to be able to
14 tell the Diversified bonds?

15 A I can't recall that.

16 Q Why, then, was he discussing the fact that
17 your license had been suspended?

18 A I just assumed he was doing a background
19 check when this came out. I believe there was another
20 -- there was a -- one of the people we invited, or got
21 an invitation to this meeting. I can tell you this,
22 the meeting I had with Mr. [REDACTED] was after the meeting
23 for potential other agents, because I believe it was a
24 -- somebody we sent an invitation to actually sent that
25 invitation to Mr. [REDACTED]

1 A I can't recall that. The most --

2 Q Do you know why he was inquiring at the time,
3 did you know why?

4 A No, no. He just called me on the telephone,
5 told me who he was, and then we set up an appointment
6 and I came down to meet him face to face.

7 Q Okay. Did he advise you that you should not
8 hold any of these types of meetings in the future at
9 that time?

10 A I don't recall.

11 Q Turn, for me, to the letter that is attached
12 to the January 28, 2010 e-mail, the Bates label on the
13 page is going to be SUPRH00296.

14 A Yes.

15 Q And before you go on, Mr. Salovay, did you
16 have any documentation related to your correspondence
17 with Mr. [REDACTED] for example, any e-mails or letters or
18 other communication?

19 A Between Mr. [REDACTED] and myself?

20 Q Correct.

21 A No. I believe it was just a telephone call
22 and I came in. I believe, though, that he did come to
23 my house and knock on my door, but I wasn't home. My
24 neighbor told me.

25 Q Okay. Was it around this same time?

1 A I believe so, yes. If we go to No. 22, the
 2 inquiry is a complete list of all persons from
 3 Pennsylvania who have been contacted about this
 4 offering by other lunches or any other means, identify
 5 by whom they were contacted. And the response is there
 6 are no other lunches scheduled and no other meetings
 7 have been held in Pennsylvania.
 8 You are stating, though, that on February 4th
 9 there were two meetings, in fact, held. I know this
 10 letter is dated February 2, but subsequent to this
 11 letter, there were two meetings held on February 4th --
 12 A I don't know the exact date --
 13 Q And then also --
 14 A I've never seen this document.
 15 Q And the only reason I say, February --
 16 A Well, I can just check the invitation, hold
 17 on.
 18 Q Right. That is why I'm saying that date,
 19 because that was the date on the flyer.
 20 A Correct.
 21 Q Did the meeting actually happen on that date?
 22 A For clients?
 23 Q Because you mentioned the meeting was the
 24 same day for clients?
 25 A Yes, correct.

1 Q Correct?
 2 A Correct.
 3 Q And was that date February 4th?
 4 A I believe so, yes.
 5 Q Okay.
 6 A I've never seen this document that you are
 7 showing me right now, so --
 8 Q I understand that. And I just like to ask
 9 you questions based on what I read on the document.
 10 A Sure. No, absolutely.
 11 Q Let's look at No. 3.
 12 A Okay.
 13 Q It says, description of Michael Salovay's
 14 role in this offering and how he is being paid. And
 15 the response here, or proposed response. I don't know
 16 if this letter was sent or not. Is that Mr. Salovay
 17 has no placement in this offering. The private
 18 placement memorandum prepared by the company provides
 19 for commissions to registered broker-dealers. If Mr.
 20 Salovay qualifies, he will be paid accordingly.
 21 On sales by other brokers, broker-dealers, if
 22 appropriate, he will be compensated at a two percent
 23 rate. He has received no commissions in this offering,
 24 has made no sales in this offering and has only
 25 recently been soliciting licensed broker-dealers to

1 work on this offering.
 2 And my question to you, Mr. Salovay, you
 3 notice that second sentence says, the private placement
 4 memorandum prepared by the company provides for
 5 commissions to registered broker-dealers?
 6 A Correct.
 7 Q Was that ever your understanding?
 8 A No. And that was, I can also tell you, yes,
 9 in that paragraph we never discussed what the actual
 10 finder's fee would be for other brokers. I was told it
 11 would be five percent. I've never seen anything even
 12 closely related to this or ever discussed with me.
 13 Q Okay.
 14 A And I can tell you, we had that meeting,
 15 so --
 16 Q Okay. Okay.
 17 THE WITNESS: Can we go off record real
 18 quick?
 19 MS. SPRINGER-CHARLES: If you would like to
 20 discuss something with me, then we would have to do it
 21 on the record. I cannot have any substantive
 22 discussions with you off of the record.
 23 THE WITNESS: I was wondering if I can use
 24 the rest room.
 25 MS. SPRINGER-CHARLES: Sure. We can go off

1 the record.
 2 (A brief recess was taken.)
 3 BY MR. SPRINGER-CHARLES:
 4 Q Then we are back on the record at,
 5 approximately, 12:20 on February 6, 2014.
 6 Mr. Salovay, did we have any substantive
 7 conversations while we were off the record?
 8 A No.
 9 Q I want you to, we were previously looking
 10 at --
 11 THE WITNESS: I'd like to bring something to
 12 your attention. And, this might be time for me to call
 13 in counsel, because these letters are not true, as far
 14 as stuff that -- and this was coming from an attorney,
 15 which bothers me, which means that I would like to get
 16 representation, because we did not have meetings and we
 17 have no Pennsylvania investors. And I know for a fact
 18 that is not true.
 19 MS. SPRINGER-CHARLES: Would you like to
 20 adjourn testimony today to seek representation?
 21 THE WITNESS: Well, I guess can't ask you,
 22 but I'm just concerned that this letter that was
 23 written, which I have never seen, heard of or anything,
 24 and, you know, when it says --
 25 MS. SPRINGER-CHARLES: I'm not attesting to

1 the truth or fallacy of the letters.
 2 THE WITNESS: Correct. I understand that.
 3 And I'm not --
 4 MS. SPRINGER-CHARLES: And I'm not dissuading
 5 you, either, from seeking representation. I want to be
 6 very clear.
 7 THE WITNESS: I totally understand that. But
 8 my concern is -- can I actually bring up a specific
 9 paragraph?
 10 MS. SPRINGER-CHARLES: Okay. Sure.
 11 THE WITNESS: I have to find it. I'm sorry.
 12 MS. SPRINGER-CHARLES: Again, and before we
 13 go forward, Mr. Salovay, since you have raised the
 14 question, maybe you can stop and think for a moment
 15 about whether you believe that, before we proceed, I
 16 don't want you to feel like you have to keep speaking
 17 with me. The fact that you have raised the question
 18 that you would like to retain counsel, is that
 19 something that you would like to do so at this time?
 20 THE WITNESS: I believe so, just by reading
 21 these letters. I know that this paragraph in these
 22 letters are incorrect, that could cause a big problem,
 23 that I had nothing to do with, but I want to make sure
 24 that, you know, the letters between an attorney and Mr.
 25 Kiehl, and I know that there's stuff in here that is

1 not correct, which could cause a big problem or a
 2 potential --
 3 MS. SPRINGER-CHARLES: And, again, I'm not
 4 making a representation to you that these letters were
 5 sent or not sent to Mr. Kiehl.
 6 THE WITNESS: Okay.
 7 MR. SPRINGER-CHARLES: So, they were just
 8 attached to certain documents and/or part of a
 9 production that we received. But since you've raised
 10 that concern, I would like to go off the record,
 11 briefly, and just indicate that to my supervisor and
 12 just see how we should proceed.
 13 THE WITNESS: That's fine. I didn't know
 14 that these were sent or not sent, but, still, they were
 15 written, you know, that was my concern.
 16 MS. SPRINGER-CHARLES: Right. And I'm not
 17 making a representation one way or the other.
 18 THE WITNESS: I understand.
 19 MS. SPRINGER-CHARLES: Are you affirmatively
 20 saying that you would like to adjourn to retain
 21 counsel?
 22 THE WITNESS: Do you want to speak with your
 23 supervisor first? I'm a little confused right now, to
 24 be honest with you.
 25 MS. SPRINGER-CHARLES: Okay. So, let's just

1 take a break. And I will talk to him and then come
 2 back on the record.
 3 THE WITNESS: Okay. Thank you.
 4 (There was a brief recess in the proceeding.)
 5 MS. SPRINGER-CHARLES: We are back on the
 6 record at approximately 12:31 on February 6, 2014.
 7 Did we have any substantive conversation off
 8 the record?
 9 THE WITNESS: No.
 10 MS. SPRINGER-CHARLES: I haven't been able to
 11 locate my supervisor, but because you've indicated that
 12 you may want to retain counsel, I think the best thing
 13 to do today, and the right thing to do is to adjourn
 14 testimony today to allow you the opportunity to retain
 15 counsel. However, I would like to advise you that you
 16 are still under subpoena. And, so, I would like you to
 17 have your counsel contact me by a week from today.
 18 THE WITNESS: What happens if I don't have
 19 counsel yet?
 20 MS. SPRINGER-CHARLES: Well, you are under
 21 subpoena and the subpoena states -- well, if you don't
 22 have counsel?
 23 THE WITNESS: Yes. I mean, is a week enough
 24 time?
 25 MS. SPRINGER-CHARLES: You were issued the

1 subpoena. I need you to appear back here for
 2 testimony. So, for now I'm giving a hard deadline of
 3 next Thursday to have someone contact me.
 4 THE WITNESS: Okay.
 5 MS. SPRINGER-CHARLES: So, Thursday February
 6 13, 2014, to please have your counsel contact me, and
 7 that is a hard deadline for now to have someone contact
 8 me.
 9 THE WITNESS: Just to contact you, not to
 10 have everything prepared and ready to go; is that
 11 correct?
 12 MS. SPRINGER-CHARLES: To contact me, because
 13 I can no longer have any discussion with you if you
 14 have retained counsel going forward. I will only be
 15 able to communicate with your attorney. And, so, have
 16 that person contact me next Thursday and this is
 17 because you've indicated to me that you may or may not
 18 want to retain counsel. And you are under subpoena.
 19 THE WITNESS: Sure. Sure.
 20 MS. SPRINGER-CHARLES: Okay. Do you
 21 understand this?
 22 THE WITNESS: I do.
 23 MS. SPRINGER-CHARLES: At this point we just
 24 should stop discussing this case now, and give you the
 25 opportunity to retain counsel however you choose to or

1 not. Again, the deadline would be next Thursday to
 2 have someone contact me.
 3 THE WITNESS: What is the best way for them
 4 to contact you?
 5 MS. SPRINGER-CHARLES: I can give you my
 6 phone number.
 7 THE WITNESS: Okay.
 8 MS. SPRINGER-CHARLES: 305-416-6224.
 9 THE WITNESS: I should know that by now,
 10 because I've called you enough in the last day.
 11 MS. SPRINGER-CHARLES: Again, I just want to
 12 point out that you remain under subpoena, Mr. Salovay,
 13 so you are obligated to return for the conclusion of
 14 this testimony. And I just want to remind you, this is
 15 a confidential nonpublic investigation. And, so,
 16 again --
 17 THE WITNESS: Can you explain to me what that
 18 means. Is that something that you do?
 19 MS. SPRINGER-CHARLES: We don't generally
 20 discuss the nature of our investigation in the public
 21 domain.
 22 The Form 1662 specifically tells you how we
 23 use information that you provide to us, whether via
 24 documents or in testimony. Other than that, we do not
 25 generally disclose what has been discussed.

PROOFREADER'S CERTIFICATE

1
 2
 3 In The Matter of: DIVERSIFIED ENERGY GROUP, INC.
 4 Witness: Michael Salovay
 5 File Number: FL-03747-A
 6 Date: February 6, 2014
 7 Location: Pittsburgh, PA

8
 9 This is to certify that I, Nicholas J.
 10 Wagner, (the undersigned), do hereby swear and affirm
 11 that the attached proceedings before the U.S.
 12 Securities and Exchange Commission were held according
 13 to the record and that this is the original, complete,
 14 true and accurate transcript that has been compared to
 15 the reporting or recording accomplished at the hearing.

16
 17 _____
 18 (Proofreader's Name) (Date)

1 THE WITNESS: Okay.
 2 MS. SPRINGER-CHARLES: All right. So, please
 3 have your attorney contact me by next Thursday,
 4 February 13, 2014; okay?
 5 THE WITNESS: As far as the documents in
 6 front of me, the exhibits, do I hand those back to the
 7 court reporter?
 8 MS. SPRINGER-CHARLES: No. You just leave
 9 everything there and I'll talk to Desiree about
 10 everything once you leave the room. Okay. As of now
 11 we are off the record at approximately 12:35 p.m. on
 12 February 6, 2014.
 13 (Whereupon, at 12:35 p.m., the examination
 14 was concluded.)

15 * * * * *

A				
ability 17:24	47:20,23 48:1	approximately 4:3	Attorney's 1:9 4:13	57:3,6,9,13 58:18
able 62:24 67:13	50:6 53:7,8,16,18	46:19 73:5 76:6	August 23:15,25	58:19,24 60:6
76:10 77:15	58:15,17 62:22	79:11	24:3,15,17	62:3 63:6,11
above-entitled 1:15	agreements 3:9	arbitration 25:6,6	authorities 22:20	67:19,23 68:4
absolutely 24:25	15:7 34:25 40:2	26:9,10	available 5:17	69:21,22 70:1
27:24 32:25 48:1	45:1,7	area 22:21 62:13	Avenue 2:8	71:4 74:15,20
50:24 51:8 55:15	ahead 11:8 12:4	aside 8:11 37:12	a.m 1:16 4:3	belonging 54:3
71:10	14:6 23:7,23 26:5	asked 10:21 20:9		best 10:6 21:11
accident 24:7	26:6 35:14,15	28:17 29:24 31:17	B	29:20 38:7 39:1
accommodate 18:9	39:20 48:19 52:4	32:10 36:19 47:25	back 8:12 12:18	50:3 52:21 56:17
accompanied 6:12	58:6 59:10	48:7 50:20 51:1	15:10 19:6 24:2	62:17 67:3,3,10
accomplished	airport 22:14,16,20	65:11,12,13 66:1	24:20 27:6 29:8	68:11 76:12 78:3
80:15	22:21,22	66:11,17 67:4,4	29:25 30:19 40:16	better 19:14
account 25:2,3 27:2	allow 18:17 76:14	asking 4:24 12:5	44:6 55:4 58:24	big 11:18 31:6
accounts 39:22	allowed 7:16	18:6,16 19:20,23	61:11,16 73:4	49:19 74:22 75:1
accredited 40:5	Amendment 7:8	20:15 44:11 49:13	76:2,5 77:1 79:6	bill 37:1
accurate 21:11	American 22:23	60:5,11 66:5	background 3:12	bills 30:8,9
80:14	23:4 24:5 32:18	asks 10:13	20:21 21:4 26:19	bit 12:9 16:10,12
actively 50:24 51:6	amount 26:16	assert 7:7	28:1 31:17 32:8	39:3 52:15 53:22
51:11,15	53:12	assets 39:16 40:7	40:1 44:4 47:24	60:2,19,25 63:19
activities 41:5	and/or 19:22 75:8	assist 9:15 39:15	48:11,13,20 55:5	66:15
actual 42:16 72:9	Ann 4:4	40:13,17 57:7	67:18	board 65:15
ad 11:14,17,20,23	annual 58:12	assisted 41:2	backwards 21:13	Bob 64:9
adding 27:2	annuities 54:22	associated 47:3	baggage 22:17	bond 34:12 40:23
address 45:22	annuity 48:22	56:15	bank 23:14,16,22	50:1 51:21 52:1
adjourn 73:20	50:17	association 30:22	23:24 27:22,24	57:8,22 62:19
75:20 76:13	answer 7:9 18:22	47:5 48:12	28:2,3,19	bonds 33:25 40:11
adjourned 6:23	19:3 20:6 21:17	assume 20:7	bankruptcy 30:9	41:15 42:8,21
advertising 22:14	26:3	assumed 67:18	30:12,16,18 52:8	43:8 48:16 50:19
22:21	answering 19:16	assumption 51:19	barred 47:5 48:12	50:21,24 51:6,7
advice 49:2 51:2	42:23	attached 69:11	base 68:15	51:13 57:25 59:4
advise 6:15 69:7	answers 21:7,10	75:8 80:11	based 10:2 32:22	62:25 66:10,25
76:15	anymore 31:6,10	attaches 64:10	48:19,20 49:2	67:14
advised 6:13	32:11 58:23	attachment 10:12	50:13 71:9	bothers 73:15
advisor 22:24 23:1	apologize 26:7 62:2	17:10	basic 11:20	bought 27:19
23:3,9,17 24:4	appear 77:1	attend 38:20	basically 14:17	branch 23:18
Advisors 22:24	APPEARANCES	attended 61:23	28:7	break 18:7 76:1
affirm 80:10	2:1	62:5	Bates 45:12 46:1	Brickell 2:8
affirmatively 75:19	appearing 8:9	attention 55:12	69:12	brief 73:2 76:4
agent 48:15 55:17	appears 54:2	73:12	bathroom 18:8	briefly 18:5 75:11
55:20	application 16:1	attesting 73:25	becoming 59:3	bring 55:12 65:14
agents 32:13 41:8	17:15 30:11 40:16	attorney 4:22 6:14	behalf 2:3,13	68:7,13,14,18
41:10 48:24 49:1	applications 15:21	6:15 31:19,25	believe 9:8,21	73:11 74:8
59:3,8,9,11 61:18	17:11 35:4 40:8	49:3 52:6,8,24	10:11 26:12 39:18	bringing 33:4,8
62:4 63:16 66:13	appointment 69:5	60:5,23 61:4,6	40:11 41:4 42:7	66:22
66:21,22 67:23	appreciate 12:20	73:14 74:24 77:15	42:17 43:7 44:15	brochure 15:9,22
agreement 45:20	approached 41:20	79:3	49:5 50:12,22	16:1
46:3,8,11,13,20	appropriate 71:22	attorneys 52:16,18	51:14,15 52:21	brochures 34:24
	approved 52:3	52:20 60:10	53:17 56:2,8,9,17	brokers 27:15 33:6

63:15 64:18 71:21 72:10 broker-dealer 25:12 31:8 47:4,6 56:16 broker-dealers 71:19,21,25 72:5 brought 33:5 55:8 55:14 68:15 bunch 32:3,12 41:9 business 3:8 13:12 13:15 14:7 15:2 23:9 28:20 31:4,7 31:11 34:24 35:16 38:18 39:3 51:8 54:3,4,7,12 56:9 buying 39:4,9	cash 25:3 cattle 39:4,7,10,12 cause 74:22 75:1 certain 5:10 6:20 9:5 19:23 20:2,3 20:13 30:23 50:16 75:8 CERTIFICATE 80:1 certify 80:9 change 19:3 30:10 60:18 changed 30:3 changing 30:1,2 39:3 52:15,17,20 check 26:19 27:2 28:1 31:17 32:8 44:4 47:24 48:13 48:20 57:21 67:19 70:16 checked 31:19 32:14 44:7 checks 39:20,23 48:11 choice 40:13 choose 52:12 77:25 circumstances 27:21 65:9 City 23:14,16,22,24 27:22,24 28:2,10 28:13,18,19,23 29:3,12,18,20 30:5,6,7,12,15 32:18 47:13 civil 5:14 claim 10:2 22:17 25:22 30:8 clarify 18:21 classified 49:10 clear 18:19 19:19 20:2,2,10,17 43:22 74:6 client 16:6 25:1 26:19 56:2,3,5,6 56:12,21,25 57:1 57:4,7,11,12,21 61:1,2 clients 11:19 14:8 14:25 16:19,21,21	16:24 17:3,4 25:17 26:17,22 28:3,9,11 29:13 33:4,8,11,13,15 33:17,22,25 34:10 35:2,9,17,20,25 36:2 37:13,16,23 38:16 39:6 53:1 56:7,24 58:1,2,3,4 60:8,24 61:7 70:22,24 client's 60:10 close 47:8,10 closely 72:12 cloudy 19:21 code 62:13 collect 8:14 Collizzo 24:25 25:1 25:2 colored 14:14 come 27:25 38:23 38:24 55:22 64:22 65:2 66:2 69:22 76:1 coming 66:13 73:14 commission 1:1 2:3 2:6,18 4:6,7 5:8 8:2,5,20 9:1 32:15 33:3 41:16 42:21 42:22 49:22,24 53:2 64:23 66:24 80:12 commissions 31:21 32:25 49:10 71:19 71:23 72:5 commodities 24:6 communicate 77:15 communication 26:2 69:18 companies 21:24 22:5,21 company 13:3 22:3 22:10,13 35:19 36:16,21 38:23 42:3 43:4 49:18 54:19 71:18 72:4 compared 80:14 compensated 71:22	compensation 32:22 50:11,14,17 52:1 65:13 66:9 66:11 complaint 26:20 complete 18:17 19:14 21:11 40:1 43:25 70:2 80:13 completed 21:5 30:13 composite 44:25 63:20 computer 9:19 computers 17:5 concern 74:8 75:10 75:15 concerned 73:22 concerning 6:6 35:18 concerns 34:18,19 64:24 concluded 79:14 conclusion 78:13 conduct 10:17 conducted 9:10,11 10:14 56:19 conducting 13:12 15:3 confidential 15:8 78:15 confirm 42:2 confirmation 53:5 confused 16:18 75:23 confusing 17:9 connection 7:4 32:19 constitute 5:13 constitution 7:8 contact 41:6 43:15 76:17 77:3,6,7,9 77:12,16 78:2,4 79:3 contacted 11:22 15:11 29:23 43:20 44:3 70:3,5 contacting 46:14 contacts 56:10 contained 21:7,10	containers 22:11 continue 14:6 64:20,22 contracts 55:18 conversation 41:23 76:7 conversations 19:4 73:7 copies 15:4 28:22 copper 22:7 copy 5:15,24 6:2 7:25 8:4,8 9:20,21 13:6 17:16 20:21 21:4 45:19,20 54:2 correct 8:6,7,10 9:2 9:13 11:24 12:2 13:18 15:12 16:9 17:21 23:6,21 24:11,13 25:14,18 26:15,18 29:6 31:15,16 33:16 40:15,24 42:9 43:8,18,20,21 45:23,24 48:6,13 48:16,17 53:10 54:6 55:10 58:16 59:6,6,15 61:14 61:15 64:14,16,19 65:4 69:20 70:20 70:25 71:1,2 72:6 74:2 75:1 77:11 correspondence 16:13,24 17:2,6 69:16 counsel 6:10,13,19 6:24 52:25 73:13 74:18 75:21 76:12 76:15,17,19,22 77:6,14,18,25 country 22:19 41:10 48:24 couple 22:25 27:19 28:19 30:5 42:13 46:24 47:1 55:20 couples 37:21 course 5:18 11:21 19:10 court 7:20 8:12,13
C C 3:1 4:1 call 29:22 34:22 60:4,23 65:22 66:4 69:21 73:12 called 4:19 9:7 10:1 10:4,20 11:16 25:3 28:9,15,16 29:3,4 42:13 61:4 65:25,25 69:4 78:10 calling 29:17 60:11 calls 9:4 15:13 Canada 14:13 Candie 13:25 Capital 25:1,7,10 27:17 Capital's 26:24 car 12:14 card 3:8 54:3,4,7 54:24 55:4 cards 54:14 care 54:22 Carmine 13:23 16:20 34:22 35:18 62:1 Carmine's 62:3 case 20:15 49:25 77:24 cash 36:14 39:19 39:21,23 57:22				

8:18 18:11,23
20:21 30:19 44:22
53:21 63:19 79:7
cover 15:25,25
co-workers 36:3
create 18:12 58:5,7
58:10 64:13
creditors 30:19
criminal 5:14 7:2
crystal 20:10
current 66:13
customer 15:15,18
customers 25:17

D

D 4:1 42:14,20 43:7
43:17 62:3
date 1:13 11:2,3
70:12,18,19,21
71:3 80:6,18
dated 7:20 8:4,18
9:1 20:22 45:21
64:9 70:10
dates 12:23 55:23
David 13:24 16:20
62:1
day 38:5 59:18 68:3
70:24 78:10
days 10:21 30:11
deadline 77:2,7
78:1
deal 49:19
decide 31:11
decided 29:18,19
31:4
depends 50:15
deposit 27:4
describe 9:9 33:24
65:8
described 45:6
description 3:6
71:13
Desiree 44:22 79:9
destroyed 10:9
determine 5:9
developed 5:12
difference 49:22
different 14:14
16:4 21:24 22:20

33:3,8 44:15 49:6
49:12 62:11
difficult 45:8
diligence 10:14,18
10:22 13:3 15:3
56:20
dime 13:13
dinner 14:9 33:10
35:10 37:10,12,14
37:23 52:7
direction 51:2
directly 10:23
14:24 35:1
Disability 31:13
disclose 30:15 53:1
66:8 68:1 78:25
disclosed 26:23
27:23 53:6
discuss 14:1 21:19
21:23 22:1 24:23
27:21 34:19 35:16
57:1 62:23 72:20
78:20
discussed 6:20 12:5
12:10 14:7 15:11
26:25 31:24 32:7
34:9,21 44:19
46:25 50:4 55:11
57:16,19 62:15
68:10 72:9,12
78:25
discussing 43:25
67:16 77:24
discussion 67:12
68:16,22 77:13
discussions 12:12
44:13 72:22
displeased 28:24
29:12
disposed 10:10
dissuading 74:4
District 4:14
Diversified 1:5,24
5:9 6:20 7:2,21
9:22 10:15,16,18
10:23 11:22 13:17
15:16 16:15,16,17
16:20,22,23 17:7
31:14 33:1,18,21

34:18 36:6,18
37:9,21 38:18
39:9,17,25 40:22
41:3 43:16 45:5
45:23 46:4,14,20
48:16 50:8 51:25
53:3 54:8,24
55:25 56:12,20,24
57:2,12,16,25
58:8,15 60:8 61:3
61:5,21,25 63:21
66:10,24 67:14
80:3
Diversified's 15:4
57:4
diversify 39:4
Division 2:7 4:5
document 8:11
12:12 25:8 44:24
64:4 70:14 71:6,9
documentation
50:10 69:16
documents 3:7 7:4
7:14 8:14 9:5,6,10
9:22 10:1,4,7,13
12:16 14:19,24
15:16,18,23 20:13
36:8 51:21,25
63:22 75:8 78:24
79:5
doing 9:15 14:4
31:5 36:22 37:14
38:18,23 40:17
44:9 48:25 50:17
54:12,13,15 65:14
67:18
domain 78:21
door 69:23
downtown 66:3
drink 18:8
due 10:14,17,22
13:2 15:3 56:19
duly 4:19

E

E 3:1 4:1,1
earlier 46:9 49:5
eight 12:7
either 12:14 34:21

35:1,18 40:12
47:14 58:2 74:5
employment 21:20
29:15,16 30:4
ended 25:24
energy 1:5 5:9 9:22
11:19 45:23 80:3
Enforcement 2:7
4:5
engage 44:13
enter 46:13
entered 46:3,11,20
48:1 58:14,18
entering 48:8
errors 25:22
ESQ 2:5,17
estate 40:7
events 19:13,16
20:14
everybody 14:25
29:20
exact 11:2,3 70:12
exactly 12:10 31:22
60:15
examination 3:3
5:1,17 6:16 79:13
examined 4:20
example 16:24
43:24 69:17
Exchange 1:1 2:3,6
2:18 4:6 5:8 8:1,5
8:20 41:15 80:12
excited 39:7
exhibit 5:24 6:3,6
6:21 7:2,21,22 8:8
8:21,22 20:23,25
21:3,8,10 24:20
44:25,25 45:2,6
53:23,24 54:2
63:20,21,25 64:3
exhibits 3:6 79:6
existed 54:5
expenses 42:15
explain 18:1,5
33:21 47:9 68:24
78:17
explaining 16:11
Express 22:23 23:4
24:5 32:19

e-mail 16:23 17:2
17:10,10,14 28:4
64:8,21,21 69:12
e-mailed 9:24
e-mails 17:12,20
69:17

F

face 17:1,1,3,4 69:6
69:6
fact 27:19 29:4
55:8 67:16 70:9
73:17 74:17
facts 5:12
failed 26:21
fallacy 74:1
false 7:3,4
family 35:10 36:3
58:3
far 9:12 15:1,6 22:6
29:20 30:25 31:5
33:13 37:3 39:8
39:21 40:6,8,22
40:23 47:13,14
50:16 51:6 59:3
61:25 62:13,19
73:13 79:5
farms 39:8,12
FCC 4:9 31:19,25
41:12 42:3,5,11
43:1,5,8 49:15
50:5,8 51:18,24
52:6,24
FCC's 43:19
February 1:13 4:3
38:9 58:19,22,25
61:17 63:23 64:24
66:4 70:8,10,11
70:15 71:3 73:5
76:6 77:5 79:4,12
80:6
federal 5:11,14
fee 3:9 31:20,21
32:15 33:2 44:9
45:1,7,19,20 52:2
53:6,9,11 58:15
62:22 65:16 66:12
66:21 72:10
feeder 39:4

feel 74:16
fees 49:9,10,23 50:9
 66:16
fell 18:8
Fifth 7:8
figured 49:18
file 1:4 17:14 42:14
 80:5
filed 28:10,17,23
 30:14 42:6,11,24
 43:14 50:5,5
files 9:18
filing 42:20 51:20
fill 28:5 29:4
filled 28:5 29:14
filling 40:8 57:7
finalization 30:18
finalized 30:20
finally 47:19
financial 14:19,24
 22:23,24 23:1,3,9
 23:17 24:4 36:10
 36:17 54:11,13
financially 38:23
financials 36:4
 38:22
find 25:15 31:19
 33:11 52:8,9 60:9
 60:11 62:4 64:22
 74:11
finder's 3:9 31:20
 31:21 32:15 33:2
 44:9,25 45:7,19
 45:20 49:10,23
 50:9 52:2 58:15
 62:22 65:15 66:12
 66:16,21 72:10
finding 26:21
findings 47:12
fine 11:4 12:25
 21:14 25:21 30:21
 31:1,21 44:6
 48:16 62:4 75:13
fined 25:7,20 28:21
 29:25
fines 25:24
finished 8:15
FINRA 29:8,9
 30:22

fired 27:10
firm 30:23
first 4:19 13:16
 15:10,15,17 22:2
 41:20,23 43:10,15
 47:4,16 48:3
 55:22 58:19,24
 59:6,7 75:23
five 72:11
fixed 50:2,17
FL 2:10
flat 50:4
 [REDACTED] 37:17,18
 37:19 38:2 39:11
 39:11
 [REDACTED] 39:6
flew 13:13 14:10
 22:19
Floor 2:9
Florida 4:10 52:7
fly 13:19
flyer 64:10,10,15
 64:17 70:19
flyers 64:13
FL-03747-A 1:4
 80:5
focus 31:11
folder 35:2
follow 12:21 18:6
follows 4:20
forget 20:7
forgetting 62:2
form 5:24,25 26:23
 27:1 30:16 40:6
 42:20 43:7,9,13
 43:17 78:22
formal 5:16,20
forms 27:25 35:4
forth 7:1 35:19
forward 74:13
 77:14
found 48:9 52:10
four 57:14
frame 30:24 47:7
free 12:14 18:8
friends 35:9 36:3
front 79:6
full 11:13 12:15
 35:2

fund 39:17
funds 31:6 40:14
further 16:13 43:12
 49:18 55:4
future 69:8
fuzzy 20:9

G

G 4:1
gas 11:18 14:14
 16:7 22:6 36:15
 37:5 39:9 62:20
 62:20,21
gather 9:17
general 19:21
 50:20
generally 22:1
 78:19,25
gentleman 29:10
gentleman's 65:6
gestures 18:24
getting 18:2 22:20
 52:25 66:21
give 26:22 38:7
 55:24 77:24 78:5
given 26:3 63:4
giving 77:2
Gmail-DEG-invi...
 64:5
go 11:8 12:4,18
 14:6 15:10 16:12
 19:5,6 22:5,17
 23:7,23 24:20
 26:5,6 29:16,23
 35:14,15 39:20
 40:6 43:16 48:19
 52:4,12 58:6
 59:10 69:15 70:1
 72:17,25 74:13
 75:10 77:10
goes 42:15,16
going 5:23 7:19
 8:17 19:11 20:20
 27:18 33:5 38:17
 42:4 43:12 44:22
 46:6 52:22 53:22
 55:4 61:16 63:18
 69:13 77:14
golf 11:21

good 32:15 34:3,4
goods 37:1
Grant 1:10 2:17
 4:23
group 1:5 5:9 35:11
 38:12,14 45:23
 80:3
growing 15:2
growth 36:16
guarantee 34:14
guess 27:14 29:2
 33:7 38:22 42:12
 43:3,12 44:11,13
 46:18,19 49:20,21
 53:6 56:5 61:16
 66:15 73:21
Guy 37:17,18

H

Hackney 31:25
 32:7,14 44:7 49:3
 52:3,6,11,13,22
 64:9
hand 4:16 8:21
 20:23 35:10,21
 44:23 53:23 61:11
 63:20 79:6
handbook 26:24
 27:3
handed 5:24 8:3,25
 21:3 45:5 60:19
 64:3
happen 65:17
 70:21
happened 19:11,12
 28:7 29:7 47:13
happening 58:14
happens 76:18
happy 28:14,14
 29:13,21,21
hard 9:19,21 77:2,7
Havanich 13:24
 62:2
head 23:2
health 24:7 30:7
heard 73:23
hearing 1:15 26:10
 26:11 80:15
held 25:13 63:23

65:18 70:7,9,11
 80:12
help 39:24 40:1,20
 44:14
helping 11:19
 43:25 52:24
hierarchy 55:19
highlight 6:21
Hill 23:18
history 21:20
hold 69:8 70:16
home 69:23
honest 75:24
Hopefully 45:9
hosting 64:24
hotels 22:19
hours 12:7
house 37:15 69:23
houses 38:2,4,5
hunted 23:2

I

idea 46:7
identification 7:23
 8:23 21:1 45:3
 53:25 64:1
IDENTIFIED 3:6
identify 70:4
impact 17:23
important 36:20
income 36:5
incomplete 19:25
incorrect 74:22
incriminate 7:10
indicate 4:25 75:11
indicated 76:11
 77:17
individuals 62:23
industry 33:24
inform 19:4
information 5:25
 5:25 36:11,21
 55:6 78:23
informed 48:9
initial 30:11,14
 42:12
initially 41:20
 43:15 47:21,22
 48:5

medication 17:23
meet 13:22 17:3
 38:12 69:6
meeting 28:3,8,11
 28:24 29:13 37:8
 37:21,23 38:11,12
 38:12,14,15 56:23
 57:1,10,11,14,15
 57:17 59:16,19
 60:3,14 61:1,17
 61:23 62:5,16
 63:5,8,10,13,16
 63:23 64:25 65:1
 65:3,17,19 66:5,5
 66:14,17 67:11,11
 67:21,22,22 68:2
 68:3,25 70:21,23
 72:14
meetings 35:23
 36:1 37:11,12,14
 57:14 58:11,12
 60:14 61:19 69:8
 70:6,9,11 73:16
member 4:4 18:14
memorandum 15:8
 71:18 72:4
memories 19:17,21
 19:21,21,22 20:2
 20:10
memory 17:23
 19:14 20:8
mentioned 29:2,3
 46:9 49:5,9 58:12
 70:23
merits 34:2 43:25
met 23:2,3,8 32:18
 37:15,24 38:1
 65:7,10 66:2,2
metal 22:7
Mexico 14:13
Miami 2:10 4:9,10
 60:24
Michael 1:7 2:14
 3:4 4:18 5:5 8:2
 8:20 20:22 45:21
 54:3 71:13 80:4
Mid 24:25 25:7,10
 25:24 26:12,21,24
 27:7,13,16 32:18

million 39:2 42:18
 42:18
mind 33:8 49:7,11
minute 21:19 44:23
missed 23:10
model 39:3
modify 19:3
moment 74:14
money 25:2 39:21
month 60:7 61:2
monthly 11:14
months 22:25
 27:20 28:19 46:19
 46:24 47:1 52:5
 55:20
month-and-a-half
 60:7
moody's 34:12
morning 18:3
mulch 22:12
multiple 10:21,21
 12:6 41:19
municipalities 22:4
mutual 28:13 31:6
mutually 28:15
M-i-c-h-a-e-l 5:5

N

N 3:1,1 4:1
name 4:4 5:3,4
 11:11 13:25 29:11
 54:16 62:3 65:7
 80:18
names 13:24
NASD 28:9,15,16
 28:25 29:3,5,9,17
NASD/FINRA
 29:23
National 23:14,16
 23:21,24 27:22,24
 28:2,10,13,18,19
 28:23 29:3,12,18
 29:20 30:4,6,7,11
 30:15 32:18 47:13
nature 78:20
ne 42:25
need 40:12 44:12
 45:10 50:12,22
 77:1

needed 27:1 28:5
 29:4 32:21 41:4
 41:13 44:1,12,16
 61:13 62:24 67:13
negotiate 40:21
neighbor 69:24
never 17:9 25:11
 25:21,21,25 26:2
 26:3 28:7,10,18
 29:14 30:3,3
 32:20 36:12,19
 43:23 44:17 46:25
 48:7 49:17 50:25
 51:8 70:14 71:6
 72:9,11 73:23
new 22:8 52:25
Nicholas 80:9
night 59:18
nodding 18:23
nonpublic 78:15
nonspecific 20:1
note 46:11
notes 7:12,15,17
 12:13,16,17,21,23
notice 1:16 7:12
 72:3
noticed 21:12,13
number 11:7,9,20
 11:23 25:3 60:21
 61:8,12,13 78:6
 80:5
numbered 60:19

O

O 3:1 4:1
obligated 78:13
observing 4:23
obtain 6:24 24:5
 43:23
obtained 24:10
Obviously 19:12
occasion 13:20,21
 14:2
occasions 12:1
 37:20 41:18
offer 15:8 27:24
 42:15,18 59:4
offering 10:15,19
 15:4,20 33:18
 34:23 35:3 40:21
 40:22 57:5 70:4
 71:14,17,23,24
 72:1
offerings 42:6
office 1:9 4:9,13
 9:18 12:15 13:14
 13:24 14:9,12,17
 60:12 61:5
officer 4:6
officers 27:16
offices 4:9
oh 39:15 46:5
oil 14:15 16:7 36:15
 37:5 39:9 62:20
 62:20,21
okay 7:16,18 8:16
 12:11,22 13:1,9
 18:4,10 21:15,22
 21:25 22:9 23:12
 24:1 32:1,12 38:6
 39:15 44:20 45:11
 45:16 46:18 48:8
 48:14 49:8 51:4
 53:19 58:5,23
 66:19 67:9 68:1
 69:7,25 71:5,12
 72:13,16,16 74:10
 75:6,25 76:3 77:4
 77:20 78:7 79:1,4
 79:10
old 22:7,7,12 54:14
omissions 25:22
once 17:15 29:3
 35:24 37:22 43:19
 79:10
ones 55:8
one-page 11:14
online 13:3,5 52:10
 52:12
opening 5:15 6:1
operation 14:4
operations 14:9
opportunity 5:19
 6:3 76:14 77:25
options 27:15,16
order 5:16,20
 21:20 53:23 63:20
original 15:13

59:20,22 61:3
 80:13
OSJ 26:24 27:5
outcome 26:11
outside 17:4
owed 26:16
owned 14:15 16:4,7
 37:6 39:7,12
 54:19

P

P 4:1
PA 1:12 80:7
package 29:15
packages 35:1
packet 60:19,20
 61:12
packets 35:20 61:9
 61:14
pad 12:24
pads 12:19
page 12:15 26:25
 45:9,12,19,20,25
 46:1,5 53:14
 64:11 69:13
Pages 1:8 62:12
paid 25:21 31:21
 40:12 53:2,9
 66:21,24 71:14,20
Pallet 22:10
pallets 22:11,12,12
paper 7:13,15
paperwork 28:8,18
 28:22 29:14 42:6
 42:10 43:25 44:14
 57:8
paragraph 53:17
 72:9 74:9,21
pardon 13:23
part 27:7 31:6
 42:15,16 57:10,13
 75:8
parted 26:1
participate 63:7,12
participating 4:11
particular 31:23
partners 39:13
pass 35:6
passed 27:17 46:15

pay 30:22 31:1 44:6
paying 25:24
penalties 7:2
Pennsylvania 4:14
 23:13 24:9 41:12
 41:17 43:2 48:23
 49:16,17 63:24
 64:23 70:3,7
 73:17
people 44:8 48:25
 57:24,24 59:3,12
 59:14 62:13 67:20
percent 16:3 19:22
 53:13 71:22 72:11
perfectly 19:19
period 27:18 30:5
 30:23
periodic 11:15
person 46:7 77:16
personal 16:19
 30:9 44:11
personally 10:20
 34:16 35:11 43:3
 44:15 65:7
persons 70:2
perspective 58:9
 59:13,17 68:3
Philadelphia 26:10
 29:24
phone 11:7,9,20
 12:6 15:13 22:18
 29:10,22 60:4,23
 78:6
photocopies 17:16
physically 39:23
pick 18:23 22:18
picture 11:18
piece 15:22 35:3
pins 14:14
Pipe 22:3
pipng 22:7,8
Pittsburgh 1:12
 17:5 23:13 45:22
 80:7
place 1:9 8:13
 13:14,15
placement 44:17
 50:25 51:10,22,23
 71:17,18 72:3

plans 34:24
plastic 22:7
please 4:15 5:3
 8:21 9:9 18:17,20
 18:22 20:23 77:6
 79:2
PNC 28:20
point 4:24 27:6
 41:25 47:18 63:4
 77:23 78:12
polyethylene 22:4,8
portfolio 39:5
positions 21:24
possess 55:9
possession 10:9
potential 14:8 34:4
 34:7,9,17 56:23
 60:21 61:18 62:19
 63:15 67:23 75:2
Power 63:4
practice 52:23
prepared 71:18
 72:4 77:10
present 2:16 6:14
 24:3
presentation 33:10
 35:19 60:18 62:18
 63:4
presentations
 33:12
president-licensed
 54:17
pretty 49:19
previous 19:3
 66:18
previously 44:24
 73:9
principal 45:22
print 13:6
printed 9:23,25
 17:15
prior 5:14 6:1 10:9
 10:15,18 32:17
 34:18 38:14 47:12
 57:14 65:1
private 22:4 34:12
 44:17 50:1,25
 51:10,22,23 71:17
 72:3

privilege 10:2,5
Pro 2:14 22:3
probably 29:19
 46:17
problem 74:22 75:1
procedure 18:1,5
proceed 74:15
 75:12
proceeding 4:7,11
 4:13 5:18 25:20
 27:22 30:12 76:4
proceedings 6:23
 7:17 18:12 24:23
 55:13 80:11
process 40:14 42:4
 43:12 51:20
processed 30:17
produce 16:13,23
 17:6,13
produced 10:5
product 32:13,16
production 9:4
 75:9
products 55:2
professional 11:10
 11:15
profit 36:5,12
prompted 52:13
proof 54:24
Proofreader's 80:1
 80:18
proper 30:10
proposed 71:15
prospective 35:6
provide 7:2 21:7
 33:17 53:5 54:7
 57:4 78:23
provided 5:15 6:1
 10:8 25:9
provides 71:18
 72:4
providing 7:3
provisions 5:10
public 51:14 78:20
purchase 57:8,22
purchased 62:21
purpose 4:7 38:11
 38:15
pursuant 1:16 8:9

put 8:11 25:2 33:1
 60:1,20
p.m 79:11,13

Q
qualifies 71:20
quarterly 9:24 35:4
 36:13
question 7:9 16:18
 17:22 18:14,18,20
 18:21 19:16,18
 20:17 21:12,16
 24:21 42:23 43:3
 49:21 72:2 74:14
 74:17
questioned 20:15
 49:17 52:11
questionnaire 3:12
 20:22 21:4
questionnaires
 34:25 40:2
questions 4:24 6:6
 10:21 12:6 17:24
 18:6,15,16,22
 19:11 20:9 29:24
 34:17,19 35:17
 46:22 49:13 60:5
 60:11 64:23 71:9
quick 72:18
quit 28:12

R
R 4:1
raise 4:15
raised 74:13,17
 75:9
rate 34:15 71:23
rated 34:11
read 6:3 15:23 16:3
 45:8 51:25 52:1
 71:9
reading 74:20
ready 29:16 77:10
real 11:20 40:7
 72:17
realized 23:11
really 14:17 67:4
reason 10:5 70:15
reasons 49:6
recall 11:3 20:6
 41:23 42:10 47:7
 54:9 55:3,6 56:4
 57:20 61:24 63:3
 63:17 65:6,19,21
 66:6,7 67:1,15
 68:14 69:1,10
receive 15:4,9
 32:21 36:8 50:13
received 11:6 15:16
 33:19 49:3 71:23
 75:9
receiving 66:9
recess 73:2 76:4
recollection 19:24
 20:8,14 38:7 39:1
 50:3 52:21 68:11
recollections 19:18
 20:17
recommend 56:24
record 4:2,8,21,25
 5:4,15 6:1 19:5,5
 19:7 72:17,21,22
 73:1,4,7 75:10
 76:2,6,8 79:11
 80:13
recording 80:15
recycled 22:11
referrals 58:3
referred 13:16,17
 15:15,18 16:14,22
reflect 4:8,21
reflecting 10:14
refreshes 20:14
refuse 7:9
regional 4:9
registered 32:17,21
 41:11,12,15 42:1
 42:3,8,25 43:1,5,8
 43:11 47:17 48:4
 48:5 49:15,15,16
 49:20 50:13 51:13
 51:15,18,18 54:25
 56:11 71:19 72:5
registers 42:21
reinvest 40:13
reinvesting 40:14
related 25:16 55:21
 57:12 58:8 61:21
 63:22 69:16 72:12

relates 26:16	restate 51:5	Salovay's 71:13	32:13 41:21 56:20	side 8:13 12:13
relating 10:13	restructuring 60:9	Samuel 37:17,18	66:24	signature 45:25
relevant 68:17,20	retain 74:18 75:20	39:11,11	send 40:16 62:7,9	46:2
remain 78:12	76:12,14 77:18,25	save 17:17	65:22	signed 27:25 53:17
remember 11:12,13	retained 77:14	saw 36:12 42:5,11	sending 9:12 37:2	signs 22:16
20:7 30:24 60:3	retired 52:23	42:12,18 43:10	sent 9:22 14:24	sign-in 60:20
65:6 67:10 68:8	return 34:15 78:13	44:5	15:14 17:10 29:15	Simply 18:18
remembered 23:10	returns 34:5	saying 14:5 70:18	34:21 35:1 59:20	situation 26:8
remind 78:14	review 5:20	75:20	59:23,25 60:8	29:10 41:7 44:5
rep 32:17 47:17	reviewing 20:13	says 42:14 53:13,16	61:2,3 62:6 64:17	skip 44:23
50:13	Richard 65:7	54:16 71:13 72:3	65:12 67:24,24	slip 22:4
repercussions 25:4	right 4:16 6:12	73:24	71:16 75:5,5,14	slowing 52:23
replacing 22:6	21:17 37:12,23	Schedule 42:14	75:14	sold 16:22 22:15
reporter 7:20 8:12	47:14 61:1 70:18	scheduled 63:23	sentence 72:3	36:23 37:1 51:11
8:14,18 18:11,23	71:7 75:16,23	70:6	separate 38:4,5	57:25
20:21 44:22 53:22	76:13 79:2	scribbling 12:24	58:7	solicitation 33:7
63:19 79:7	rights 7:8	SE 2:14	separated 28:15	soliciting 33:5
reporting 1:24	risk 34:8	search 9:9,11,14,15	separately 38:2	41:10 71:25
80:15	risks 34:9	SEC 7:22 8:22	39:12	somebody 67:24
reports 35:5	Robert 31:25 32:14	20:25 45:2 53:24	separation 28:13	sorry 11:6,7 23:6
represent 54:23	44:7	63:25	series 3:7 18:14	26:5 29:8 35:14
representation	role 21:24 25:19	second 52:3 55:24	24:8 25:13 32:20	39:20 44:22 46:6
73:16,20 74:5	65:12 71:14	64:11 72:3	43:23 63:22	50:7 58:5 63:19
75:4,17	Ron 55:16	securities 1:1 2:3,6	services 1:24 22:6	74:11
representative	room 4:22 72:24	2:18 4:5 5:8,11	session 35:10	sort 18:4 20:1
32:21 54:17,25	79:10	8:1,5,19 10:15,16	set 7:1 37:8,20	South 24:25 25:7
56:11	run 22:13	10:18,19 24:5,7	50:10 69:5	25:10,24 26:12,21
represented 6:9,13		31:5 32:11,20	setting 28:3	26:24 27:8,14,17
6:19	S	41:4,8,15,21 44:1	settings 33:10	32:18
request 6:22 10:13	S 3:1 4:1	44:16 50:23 53:3	seven 12:7	speaking 10:24 31:22
36:4,10,17	sale 22:5 50:19,21	55:2,9 62:14,24	severally 25:23	46:5 75:22
required 57:8	53:2 66:9	64:23 80:12	sewer 22:6	speaking 63:7,12
requirement 61:11	sales 9:23 11:10,16	security 31:15	share 34:24	74:16
research 48:10	15:22 16:1 33:10	56:20	shared 58:9	specific 16:7 19:19
reservations 22:18	33:12 35:3 61:18	see 14:22 43:9,17	Sharon 37:18	20:17 25:19 26:23
reserves 15:2 36:15	63:15 71:21,24	45:6 49:6 51:8	sheet 60:20	34:14 66:15 74:8
36:16 37:4 39:2	salespeople 65:15	64:6,10 75:12	Shelly 4:4 25:2	specifically 14:11
resign 40:16	salesperson 22:15	seek 73:20	SHELLY-ANN 2:5	15:19 26:4 32:4,6
resolved 26:8	Salovay 1:7 2:14	seeking 74:5	shipping 22:11	41:14 42:10 49:21
respond 17:24	3:4 4:12,16,18 5:3	seen 70:14 71:6	short 18:7 65:19	53:11 57:19 62:15
responding 18:18	5:5,19 6:4,9 8:2,3	72:11 73:23	shortly 12:1 29:17	66:16,23 78:22
response 70:5	8:20,25 10:17	self-employed	41:25 46:13,23	spell 5:4
71:15,15	17:22 20:23 21:3	23:19,20 24:2	47:14	spoke 11:25 46:16
responsibility	21:8 44:24 45:5	25:12 30:4 54:14	show 14:11,16,19	47:4,16,22 48:3
26:14	45:21 53:23 54:3	self-employs 23:11	36:12,13,14	spoken 46:10
responsible 26:12	54:4 63:20 68:17	sell 31:14 32:16	showed 14:8 26:18	Springer-Charles
responsive 10:7	69:15 71:16,20	48:16 55:2 59:14	26:19	2:5 4:2,4,21 5:2
19:18,24 20:9,16	72:2 73:6 74:13	62:24	showing 15:1 36:15	5:22 7:19,24 8:17
rest 72:24	78:12 80:4	selling 10:16,19	71:7	8:24 20:20 21:2

44:21 45:4 53:21 54:1 63:18 64:2 72:19,25 73:3,19 73:25 74:4,10,12 75:3,7,16,19,25 76:5,10,20,25 77:5,12,20,23 78:5,8,11,19 79:2 79:8 Squirrel 23:18 Sr 37:17 38:3 39:11 staff 4:5,22 9:6 14:18 18:14,17 start 21:16,20 23:8 46:6 58:14 started 13:12 17:8 18:5 28:1 43:10 starting 22:1 23:20 30:13 52:14 starts 62:3 state 5:3,14 9:10 24:8 38:17 41:17 43:1 49:16 50:6 51:24 60:17 64:22 stated 5:7 30:15 48:14 60:14,16 61:6 statement 9:24 41:22 statements 14:25 36:5,5,14,18 37:3 states 1:1 8:1,19 14:13 43:2 50:8 51:19,19 53:8 76:21 state's 65:9 stating 28:4 70:8 statutes 7:1 stocks 31:5 stop 74:14 77:24 stored 9:19,21 strategic 54:10,13 Street 1:10 stuff 16:4 30:8 32:8 42:24 46:25 73:14 74:25 subpoena 3:10,11 7:20,25 8:4,9,18 8:25 9:4,7,10 10:2	10:4,8,12 59:20 59:22 61:3 76:16 76:21,21 77:1,18 78:12 subscription 15:6 34:25 40:2 53:7,8 53:18 subsequent 65:2 70:10 substantive 72:21 73:6 76:7 Suite 1:11 summarize 19:6 supervise 26:22 supervision 25:8,16 27:6 supervisor 75:11 75:23 76:11 supplemental 5:25 supposed 25:8 31:19 supposedly 15:1 31:25 SUPRH00296 69:13 sure 12:22 13:13 14:3 18:22 19:20 32:5 37:6 38:8 49:8 58:13 71:10 72:25 74:10,23 77:19,19 surrounding 27:22 65:9,10 68:22 suspended 30:22 32:12 44:3,5 47:19 48:2 51:9 55:15 67:7,8,17 suspension 30:25 41:7 47:15,25 55:14 67:5 swear 4:15 80:10 sworn 4:20 system 22:8 S&P 34:12 S-a-l-o-v-a-y 5:6	18:7 31:4 46:18 76:1 taken 73:2 talk 18:18 19:5 35:12 52:3 58:11 76:1 79:9 talked 19:6 29:9 34:23 41:2 46:9 65:20 68:8,8 talking 15:10 16:19 18:5 39:8 46:23 47:11 66:18 tax 25:4 taxed 26:23 telephone 69:4,21 tell 12:22 18:8 19:2 19:17 41:18 47:17 51:1 56:18 66:16 66:23 67:12,14,21 72:8,14 telling 49:14 tells 78:22 tend 7:9 tendered 9:6 terminated 24:18 terms 40:21 terrible 13:24 55:23 testified 4:20 testifying 4:12 testimony 4:23 7:3 12:20 18:13,13,19 19:10 20:16 73:20 76:14 77:2 78:14 78:24 Thank 18:4 76:3 theirs 28:18 thing 26:18 36:9 53:16 76:12,13 things 16:12 17:8 19:11 41:1 44:15 62:11 think 11:15 15:20 16:2 24:8 29:8,9 36:20 46:16,21 47:11 57:14 68:7 68:17,21 74:14 76:12 thorough 60:25	61:11 thought 26:7 34:3,4 43:11 49:24 50:20 68:15 three 28:3,11 57:14 62:1 Thrifty 22:10 Thursday 1:13 77:3,5,16 78:1 79:3 time 10:9 12:7,14 12:19 13:7 14:20 15:9 18:7 19:2,12 27:7,13 29:7 30:5 30:23,24 31:12 32:17 40:10 46:15 47:5,7 48:4 52:12 54:5,6,13,20 56:12 60:2 66:8 68:18 69:2,9,25 73:12 74:19 76:24 timely 30:1,10 times 13:19 today 4:23 6:16 8:9 16:12 18:6,15 19:10 73:20 76:13 76:14,17 told 29:10,12 31:18 32:20,23,24 34:7 37:1 38:25 41:7 41:14,21 44:5,6 44:19 47:18,25 48:4 50:4 51:3,10 52:5,19 55:13 66:11,12 67:7 69:5,24 72:10 top 45:7 64:4 topic 31:23 total 12:6,8 totally 74:7 trade 50:2 traded 50:24 51:6,7 51:12,12,15 trading 27:15,16 49:25 train 26:7 training 22:25 32:19 43:22 transaction 25:9	26:25 32:22 50:13 transactions 51:10 transcribe 7:16 transcribes 18:11 transcript 18:12 80:14 traveling 12:14 true 15:17 73:13,18 80:14 truth 74:1 try 18:21 trying 49:6 60:1 66:20 turn 45:12 69:11 turned 22:12 28:12 turning 64:20 two 9:22 23:11 24:23 27:16 37:13 37:21 38:4,5 39:6 49:6 62:11 70:9 70:11 71:22 types 35:22 41:5 43:24 44:13 61:19 69:8
U				
ultimately 31:1 Um 59:24 Um-hum 53:15 uncertain 19:25 undersigned 80:10 understand 6:17,22 7:1,7 17:24 18:20 18:25 19:8 20:4 20:11,18 49:11 71:8 74:2,7 75:18 77:21 understanding 42:20 44:12 51:4 51:17,24 52:2 72:7 United 1:1 5:7 8:1 8:19 14:13 updated 42:17 use 18:7 72:23 78:23 U.S 80:11 U4 28:1,5,10,17 29:4 30:1,14				

FINDER'S FEE AGREEMENT

THIS FINDER'S FEE AGREEMENT (the "Agreement") is made and entered into this ___ day of July 24, 2009, by and between MICHAEL SALOVY, having its principal place of business at [REDACTED] ("Finder"), and **DIVERSIFIED ENERGY GROUP, INC.**, a corporation duly organized and existing under the laws of Delaware, having its principal place of business at 140 Intracoastal Pointe Dr, Suite 211, Jupiter, FL 33477 ("DEG").

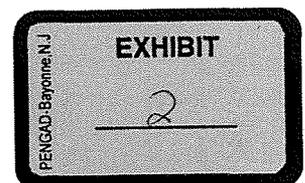
WHEREAS, DEG acknowledges that Finder may introduce DEG to potential investors, for the purpose of potential investors extending financing to DEG; and

WHEREAS, subject to the terms and conditions of this Agreement, DEG is willing to pay to Finder a finder's fee in the event a transaction is consummated with the potential investors.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt of which are hereby acknowledged, the parties hereto agree as follows:

W I T N E S S E T H

1. **Term**. This Agreement shall be effective for a period of one year commencing on the date first written above.
2. **Finder's Fee**. In consideration of the Introducing Agent services, the Company hereby agrees to pay to Introducing Agent upon closing of each transaction with an investor introduced to the Company by the Introducing Agent a fee equal to ten percent (10%) of the aggregate value of all cash, securities (whether debt or equity), and other property paid or payable in the Placement (the "Fee"). Each Fee is payable within five business days of Company receiving cleared funds from the investor. Each fee shall be based upon the amount of that particular investment alone. Introducing Agent agrees to pay its own expenses.
3. **Introduced Parties**. In order to prevent any conflicts of interest, Finder shall notify in writing DEG of the names, address, and telephone number of any prospects that may have an interest in DEG. DEG shall non-circumvent finder in the event that one of their prospects shall contact DEG directly.
4. **Termination**. This Agreement may be terminated by either party, with or without cause, upon fifteen (15) days prior written notice to the other party. In the event that this Agreement terminates, Introducing Agent will be entitled to fees set forth in Section 2 (above) of the Agreement ("Finders Fees") with respect to any financing transaction (whether equity, debt, or a combination) with investors or prospective investors introduced to the Company by Introducing Agent, provided that the transaction is consummated within 12 months following the termination of the Agreement.
5. **Non-Exclusive Relationship**. Finder acknowledges and agrees that engagement as provided herein shall be on a non-exclusive basis, and DEG shall be free to engage such other finders, brokers, consultants or agents as it shall deem necessary in its sole and absolute discretion.
6. **Governing Law**. This Agreement shall be governed by and construed and enforced in accordance



local laws of the State of Florida applicable to agreements made and to be performed within the State, without regard to conflict of laws principles thereof, venue shall be in Palm Beach County, Florida.

7. **Binding Effect.** This Agreement shall inure to the benefit of, and is binding upon, the parties hereto and their respective principals, shareholders, heirs, officers, representatives, successors and assigns.

8. **Waiver.** No waiver of any provision hereof shall be valid unless it is in writing signed by the person against whom it is charged. No waiver of any provision herein shall constitute a waiver of any other provision hereof, or of the provision at any other time.

9. **No Joint Venture.** This is an agreement between separate legal entities and neither is the agent or employee of the other for any purpose whatsoever. The parties do not intend to create a partnership or joint venture between themselves. Neither party shall have the right to bind the other to any agreement with a third party or to inure any obligation or liability on behalf of the other party. Each party shall be obligated to pay their own taxes in connection with any fees earned in connection with this Agreement and no taxes shall be withheld from any fee paid to Finder.

10. **Complete Agreement.** This Agreement contains the whole agreement between the parties concerning the subject matter hereof and there are no collateral or precedent representation, agreements or conditions not specifically set forth herein.

11. **Modification or Amendment.** Any modification or amendment of any provision of this Agreement must be in writing, signed by the parties hereto and dated subsequent to the date hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Finder's Agreement on the day, month and year first written above.

[COMPANY] DIVERSIFIED ENERGY GROUP, INC., a Delaware corporation

By: 
Name: MICHAEL SALOVNY
Title: _____

By: _____
Name: _____
Title: _____

10:03 AM
 04/24/12
 Accrual Basis

Diversified Energy Group, Inc Transaction Detail By Account

Date	All Num	Transactions	Memo	Amount
Professional Fees				
Finders Fee				
Salovay, Michael				
08/11/2009	2162	Fleming		1,000.00
08/18/2009	2191	S. Fleming Sr.		1,000.00
09/09/2009	2247	Stephen [REDACTED]		600.00
09/22/2009	2285	H. Jones		1,200.00
12/17/2009	DD	Darr		1,200.00
01/11/2010	DD	Fleming		1,500.00
03/05/2010	DD	Fleming		1,000.00
04/23/2010	DD	Fleming		1,500.00
04/23/2010	DD	Fleming Jr.		1,000.00
04/23/2010	DD	Grotenthaler		2,000.00
05/11/2010	DD	J. Fleming		500.00
05/12/2010	DD	K. Necciai		657.14
05/12/2010	DD	S. Necciai		1,946.98
05/14/2010	DD	S & K Necciai		1,087.46
06/04/2010	DD	S. Fleming Sr.		500.00
06/16/2010	DD	Fleck		500.00
06/17/2010	DD	S. Necciai		92.70
07/06/2010	DD	S. Fleming Sr.i		2,500.00
07/12/2010	DD	Fleming Jr.		500.00
07/20/2010	DD	S & S Fleming Jr.		1,000.00
07/20/2010	DD	S. Fleming		1,000.00
11/22/2010	DD	S & S Fleming Jr.		1,000.00
02/04/2011	DD	Fleming		400.00
04/01/2011	DD	Fleming		500.00
04/01/2011	DD	Sobek		500.00
04/01/2011	DD	Necciai		200.00
04/26/2011	DD	S & S Fleming Jr. reinvested		1,000.00
04/26/2011	DD	S. Fleming for Valerie reinvested		1,500.00
05/10/2011	DD	S & J Fleming Sr.		1,000.00
05/10/2011	DD	J. Fleming reinvested		500.00
05/11/2011	DD	S Necciai reinvested		1,946.98
05/11/2011	DD	K Necciai reinvested		657.13
05/13/2011	DD	S & K Necciai		1,087.46
05/31/2011	DD	Patterson		1,000.00
06/02/2011	DD	Fleming Sr. 0521		500.00
06/08/2011	DD	Fleming Sr. 0524		1,000.00
06/08/2011	DD	Vescio		1,000.00
06/15/2011	DD	Fleck reinvestment		250.00
06/15/2011	DD	S. Necciai reinvestment		46.35
06/27/2011	DD	Fleming		600.00
07/06/2011	DD	Fleming Sr. #0552		2,000.00
07/11/2011	DD	Fleming Jr. #0555		400.00
07/21/2011	DD	#0566 S & S Fleming Jr. \$10,000 reinv & \$5,000		1,300.00

Exhibit 186
 Witness Salovay
 Date 4/17 Rptr. DC
ACF

PEUCAD-Bayonne, N.J.
EXHIBIT
3

10:03 AM
 04/24/12
 Accrual Basis

Diversified Energy Group, Inc Transaction Detail By Account

Date	All Transactions Num	Memo	Amount
07/21/2011	DD #0567 S (Val)	Fleming Jr. \$10,000 reinv & \$5,00	1,300.00
08/25/2011	DD #0599	Necciai reinv.	320.00
08/25/2011	DD	Necciai \$927 X 3%	27.81
08/25/2011	DD	Fleck \$5,000 X 3%	150.00
08/29/2011	DD	S & K Necciai	250.00
09/13/2011	DD	J. Fleming	500.00
10/04/2011	DD	S & S Fleming	1,700.00
10/04/2011	DD	S. Fleming	800.00
11/03/2011	DD	Divirgilio	1,000.00
11/04/2011	DD	Martin	2,500.00
11/15/2011	DD	S. Fleming	450.00
11/18/2011	DD	S. & S. Fleming	800.00
11/25/2011	DD	Rygiel	10,000.00
12/08/2011	DD	J. Rygiel Jr.	10,000.00
12/23/2011	DD	S. Rygiel	5,000.00
01/10/2012	DD	J. Rygiel Jr.	5,000.00
01/11/2012	DD	Sobek	1,500.00
01/30/2012	DD	S. Rygiel	5,000.00
01/31/2012	DD	Lynn	4,000.00
02/02/2012	DD	J. Rygiel	5,000.00
02/03/2012	DD	S. Fleming	320.00
02/13/2012	DD	Lemke	2,500.00
02/21/2012	DD	J Fleming Jr	1,000.00
03/13/2012	DD	Painter	1,000.00
03/16/2012	DD	K. Rygiel	1,000.00
		Total Finders Fee	<u>101,790.01</u>
		Total Professional Fees	<u>101,790.01</u>
			<u><u>101,790.01</u></u>

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of:

COPY

) File No. FL-03747-A

DIVERSIFIED ENERGY GROUP, INC.)

WITNESS: Michael Salovay

PAGES: 82 through 159

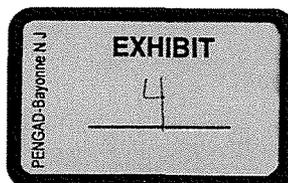
PLACE: The U.S. Attorney's Office of Pennsylvania
700 Grant Street, Suite 4000
Pittsburgh, PA

DATE: Thursday, April 17, 2014

The above entitled matter came on for hearing,
pursuant to notice, at 9:06 a.m.

Diversified Reporting Services, Inc.

(202) 467 9200



1 APPEARANCES:

2

3 On behalf of the Securities and Exchange Commission:

4 SHELLY-ANN A. SPRINGER-CHARLES, ESQ.

5 (Via videoconference)

6 801 Brickell Avenue

7 18th Floor

8 Miami, FL 33131

9 (305) 416-6282

10

11 On behalf of the Witness:

12 JILL SINATRA, ESQ.

13 Law Offices of Jill Sinatra, Pllc

14 510 Third Avenue

15 Pittsburgh, PA 15219

16 (412) 281-4800

17 Jillsinatory@yahoo.com

18

19

20

21

22

23

24

25

C O N T E N T S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

WITNESS:

Michael Salovay

EXAMINATION

EXHIBITS:

DESCRIPTION

IDENTIFIED

186

Diversified Energy Group

Transaction Detail by

Account

117

187

Seminar and Travel

Documents

124

188

M. Salovay Emails

131

1 P R O C E E D I N G S

2 MS. SPRINGER-CHARLES: We are on the record at
3 approximately 9:05 a.m. on April 17, 2014. I'm located
4 in the offices of the Miami Regional Office of US FCC in
5 Miami, Florida. My name is Shelly Ann Springer-Charles.
6 I'm a member of the staff of the Enforcement Division of
7 the Securities and Exchange Commission.

8 I'm an officer of the Commission for the
9 purposes of this proceeding. We are today resuming the
10 examination of Michael Salovay, which was adjourned on
11 February 6, 2014 at Mr. Salovay's request so that he
12 could obtain counsel. And he has since then obtained
13 counsel.

14 Would counsel please identify yourself, state
15 your firm's name and address and phone number, please.

16 MS. SINATRA: My name is Jill Sinatra. I work
17 for the Law Offices of Jill Sinatra, PLLC. The firm
18 address is 510 Third Avenue, Pittsburgh, Pennsylvania,
19 15219. My phone number is 412-281-4800.

20 MS. SPRINGER-CHARLES: Ms. Sinatra, do you
21 represent Mr. Salovay with respect to these proceedings?

22 MS. SINATRA: Yes, I do.

23 MS. SPRINGER-CHARLES: And do you represent
24 anybody else?

25 MS. SINATRA: Not with respect to these

1 proceeding, no.

2 Whereupon,

3

MICHAEL SALOVAY

4 having been called as a witness and, having been
5 previously sworn, was further examined and testified as
6 follows:

7

EXAMINATION

8

BY MS. SPRINGER-CHARLES:

9 Q Testimony today is pursuant to a commission
10 subpoena, which has been previously marked as Exhibit
11 183.

12 Mr. Salovay, do you understand that you remain
13 under oath?

14 A I do.

15 Q Mr. Salovay, previously, when we adjourned
16 testimony back in February, we were talking about your
17 conversations and discussions with the Pennsylvania
18 Department of Banking and Securities. I want to resume
19 those discussions. And I want to start out more broadly.

20 If you can discuss with me any and all
21 conversations that you had with anyone at the
22 Pennsylvania Department of Banking and Securities
23 relating to Diversified?

24 A The only person I had a discussion with was Mr.
25 Richard [REDACTED] He called me on my phone to set up an

1 appointment to come down to his office. And then he
2 asked me about Diversified, because he actually had a
3 copy of an invitation that was sent out for a client
4 dinner. He asked about my background. He asked about
5 the seminar. He had my FINRA background check for my
6 securities license. He saw that it was suspended.

7 He asked me if I needed a securities license
8 for this. I said, according to Diversified I did not.
9 He also asked me if I was going out to have other brokers
10 get registered with Diversified. I said I was. He said
11 that is fine. And he just asked me questions about my U5
12 on my FINRA background check.

13 Q Approximately, when did Mr. [REDACTED] contact you?

14 A That I don't recall. I would say it was -- I
15 don't remember.

16 Q Was it in or about, I guess, in or about the
17 same month as the meeting that was held for the brokers
18 in 2010?

19 A That's correct. I think it was actually the
20 day of. I think it was one week prior to that meeting
21 for the brokers.

22 Q Okay. And what did he ask you specifically
23 about your background?

24 A He just had my background from FINRA where you
25 can go on FINRA as far as broker check. And he asked me

1 about the, with National City, why my Series 7 was
2 suspended.

3 Q And what did you tell him?

4 A It was a U5 filing. And what happened was I
5 was filed -- I was hired by National City in June of 2000
6 -- I think it was 2007. I was working for National City.
7 And then in July, end of July, they sent an e-mail that
8 said that I needed to fill out my documentation to start
9 working there when I was already working there. National
10 City actually never filed my paperwork, but I was already
11 working there.

12 So, that is when I called FINRA personally, and
13 said, we have a problem. Because I was actually meeting
14 with clients and National City never filed my paperwork,
15 but I was already employed there receiving compensation.
16 So, I turned myself in. And then I guess National City
17 didn't appreciate it. And then about a year later is when
18 FINRA came around and I had to go to Philadelphia and
19 discuss that situation.

20 Q What, specifically, did Mr. [REDACTED] ask you about
21 the seminar that was to be held the following week?

22 A I don't recall. All he had was the invitation
23 there. Like I said, it was a brief meeting, so I don't
24 recall most of it. All I know is he had an invitation,
25 he had my FINRA background check. He asked me if I was

1 getting other brokers. I said, yes. Then he said, do
2 you know you need to have a securities license for this?
3 I said, no. Diversified did a background check on me
4 and said I was fine. The meeting had to be less than 15
5 minutes.

6 Q Did he say to you, do you know that you need to
7 have a securities license to sell this product?

8 A He said, do you know that you have to have one?
9 And I said, no. Then continuing in that conversation,
10 after I left that, I called Diversified and told them
11 this, I said, what is going on? They said, their
12 attorney would contact Richard [REDACTED]

13 And they said, don't do anything. They'll get
14 back to me. And then they got back to me in
15 approximately two weeks and said, our attorney, who is
16 Robert [REDACTED], reregistered with the State of
17 Pennsylvania, everything is fine and you are good to go.

18 Q Did you do any independent research to
19 determine whether you needed to be registered to sell the
20 Diversified bonds?

21 A No. All of my information was from
22 Diversified, so I didn't do any research.

23 Q I guess, why didn't you do any research after
24 Mr. Kiehl brought it to your attention that you needed to
25 be registered?

1 A Well, I brought it to Diversified and that is
2 when their attorney -- that's when Matthew Welch talked
3 to Robert [REDACTED] They said, don't do anything. And
4 then they sent a letter to Richard [REDACTED] They pulled
5 that product and reregistered another one and everything
6 was fine.

7 Q How do you know that they pulled that product
8 and reregistered another one?

9 A Because they sent a new agreement to me -- not
10 an agreement. I guess it would be like a subscription
11 agreement.

12 Q How do you know that they pulled the one that
13 was initially, I guess, filed with the State of
14 Pennsylvania?

15 A That I don't know. That was just -- that was
16 what I was told.

17 Q Who told you that?

18 A Matthew Welch.

19 Q Did he state that they subsequently filed
20 another offering document with the State of Pennsylvania?

21 A That's correct.

22 Q And, so, what happened to the investors that
23 were in that initial offering that was pulled?

24 A I believe there was only one or two and they
25 were -- they returned their money.

1 Q And did they reinvest in the new offering?

2 A One of them did not, because they weren't'
3 accredited. Because, I think what I was told through
4 Matthew was that the new one was accredited. It could
5 only be 30 accredited investors and that is how they are
6 registered with the State of Pennsylvania.

7 Q Did Matthew tell -- I'm sorry, I'm not sure if
8 I asked this yet. But did Matthew tell you why
9 Diversified pulled that first offering?

10 A No. That was something that he said that.

11 Q Was it related --

12 A I would --

13 Q Go ahead.

14 A To my best recollection, I would say that was
15 related to -- because after my meeting with Mr. [REDACTED], I
16 gave him the information about Diversified. And I know
17 there was correspondence going back and forth between
18 Robert Hackney and Mr. [REDACTED]. And that is about two
19 weeks later is when they said, okay, everything is back
20 up and running and everything is fine.

21 Q Did Matthew Welch tell you that Mr. [REDACTED] said
22 that it was fine for you not to be registered, or was it
23 just that Mr. [REDACTED] said that it was fine for you not
24 to be registered?

25 A I've actually never spoken personally with Mr.

1 Hackney. It was actually Matthew Welch.

2 Q And he told you that it was Mr. [REDACTED] who
3 said it was fine for you not to hold a Series 7 license
4 in order to sell the bonds?

5 A I don't know if it was from Mr. [REDACTED]
6 because Matthew Welch told me direct, because he said
7 they have most of the their people that were out there
8 doing this for them were not registered.

9 Q But once you raised with Mr. Welch that Mr.
10 [REDACTED] stated to you that you were required to have the
11 license, what did Matthew Welch then say to you?

12 A That's when he said that they were pulling that
13 product off and they were reregistering a new product
14 just for the State of Pennsylvania. And then he said,
15 when he talked to --

16 Q I guess --

17 A And then what happened is he said he talked to
18 Robert [REDACTED] who said he was an FCC attorney, which we
19 found out he was not. So, coming from somebody who I
20 thought was an FCC attorney said, you know, we
21 reregistered the product. It is through an accredited
22 investors of Pennsylvania. You don't need a broker's
23 license for that.

24 Q Well, did he represent that you did need a
25 broker's license to sell the product that was pulled?

1 A No, no.

2 Q Okay.

3 A And I was under the --

4 Q So, pulling the product had -- go ahead.

5 A From what they said, it was a registration
6 issue with the State of Pennsylvania, so they
7 reregistered it. That is what Matthew Welch told me, that
8 it was a registration issue for the product.

9 Q I got it. I want to be clear about what
10 happened once Mr. [REDACTED] informed you that you needed to
11 be registered, what steps did you take after that? I
12 guess maybe we should take it one at a time.

13 A Okay. That is when I went directly to Matthew
14 Welch and told him. I was just with the FCC with Mr.
15 [REDACTED]. We talked about, do I need a license or don't
16 need a license? He said, no, we don't, because I'll have
17 Robert [REDACTED] take care of this for you. We'll take a
18 look at it.

19 So, I guess, again, from what Matthew told me,
20 is they sent all their files to Mr. [REDACTED] They said,
21 they worked it out, they reregistered the product. All
22 they needed was an insurance license, because they have
23 other people, they actually had another person in
24 Pennsylvania doing the same thing and that we were fine.
25 It was just a reregistration of the product. That they

1 pulled the one product, this product was just for
2 accredited investors.

3 Q But as it relates to your status of holding a
4 securities license or not, and in the same breath that
5 all you needed was an insurance license, after reviewing
6 it again with Mr. [REDACTED]

7 A Correct. And then after they said is was
8 reregistered, I never heard from Mr. [REDACTED] again, so I
9 thought it was put to bed. Because Mr. [REDACTED] actually
10 showed up at my house one day prior to this meeting.

11 Q I believe you mentioned that -- what led you to
12 believe that he showed up at your house?

13 A My neighbor was out front. But that was prior
14 to our meeting.

15 Q Okay. Did Mr. [REDACTED] tell you that it was fine
16 for you to solicit other brokers to sell the Diversified
17 bonds?

18 A Yes.

19 Q What, exactly, did you tell him about how you
20 were going to solicit those brokers?

21 A Well, he had a copy of the invitation for the
22 luncheon. So, it was for the luncheon for brokers.

23 Q And did you tell him what would be discussed at
24 the luncheon?

25 A No, because I didn't know. Diversified was

1 doing the presentation.

2 Q Did you also disclose to Mr. [REDACTED] that you --
3 that Diversified and you were hosting a lunch for actual
4 and perspective investors that afternoon?

5 A Correct. I believe he had a copy of that
6 invitation also.

7 Q So, there was more than one invitation?

8 A Well, there was an invitation for brokers and
9 then there was an invitation for clients.

10 Q How did you get the invitation for the brokers
11 to the brokers? What did you do? Did you mail them out?

12 A Yeah, I believe we mailed out invitations.

13 Q And what about the invitations to the
14 perspective clients?

15 A Those are my --

16 Q Or investors, I'm sorry.

17 A Those are my clients already. So, it's more of
18 a --

19 Q So, did you pick up the phone and call them or
20 did you mail out invites or did you e-mail invites? How
21 did it --

22 A Most of them were phone calls. And there was a
23 couple of invitations for -- because most of them were
24 clients of mine for years. And I usually do, once a year
25 I do a client appreciation seminar where I invite my

1 clients to dinner. And it just so happens that this year
2 we did the dinner and then Diversified came up to speak
3 with them.

4 Q Did you mail the invites to any of the clients?

5 A To a couple. It was just for like, it would be
6 one of my client's sons who wanted to come, who I kind of
7 knew. So, people that weren't clients of mine for a long
8 time I would send an invitation.

9 Q Did any of the brokers who attended the
10 luncheon, did any of them ever sign on to sell the
11 Diversified bonds?

12 A I think Ron Krangnes.

13 Q So, he hadn't sold the bonds before attending
14 that meeting, is that where he learned about the
15 Diversified investment meeting?

16 A I don't know. Because I knew Ron previously.
17 So, I can't give you a date on that, if it was prior or
18 after that date. I don't know. But I know he was at
19 that luncheon.

20 Q Did anyone else who was at that luncheon sign
21 up to sell the Diversified bonds?

22 A I don't believe so. We only had, I think we
23 only had three people there.

24 MS. SPRINGER-CHARLES: If the court reporter
25 can please hand to you, Mr. Salovay, Diversified Exhibit

1 No. 70. We were discussing it last time. It was a
2 composite exhibit of documents related to our e-mails
3 and/or letters related to that meeting that we are
4 discussing right now, the February 4 meeting. And also
5 a copy to Ms. Sinatra, please.

6 THE COURT REPORTER: Sure. Okay.

7 BY MS. SPRINGER-CHARLES:

8 Q If you turn with me to the letter, it is a
9 letter dated February 2, 2010. I know it is a composite
10 exhibit.

11 Do you recall looking at that before, Mr.
12 Salovay?

13 A I'm sorry, what was the date again?

14 Q February 2, 2010.

15 A Okay. Okay.

16 Q It is a letter that appears to be, it's not
17 signed, but from Robert C. [REDACTED] to Richard G. [REDACTED]

18 A Right.

19 Q We were discussing this and the following
20 letter, also dated February 2, 2010, last time. If you
21 can take a minute to read both letters and then I would
22 like to discuss them.

23 Are you ready?

24 A I believe so, yes.

25 Q Looking at both letters, they both seem to

1 state, in No. 5, that the February 4th meeting had been
2 canceled and that, you know, there was no Power Point
3 presentation.

4 That is not a true statement; correct?

5 A That is correct.

6 Q Both meetings were held on February 4th;
7 correct?

8 A Correct.

9 Q And there were Power Point presentations shown
10 to the brokers and to the investors at both meetings?

11 A I know definitely to the investors. I don't
12 recall the -- like I said, the broker one was, there was
13 barely anyone there, so it was a little bit informal.

14 Q Let's look at No. 3 on the first letter.

15 MS. SINATRA: The first February 2 letter?

16 MS. SPRINGER-CHARLES: The first February 2,
17 2010 letter.

18 MS. SINATRA: Okay.

19 MS. SPRINGER-CHARLES: No. 3.

20 MS. SINATRA: When we say, first, do you mean
21 the one that comes first in the order that it is stapled
22 in the exhibit?

23 MS. SPRINGER-CHARLES: Yes, the two different
24 versions of the February 2nd letter, the first version
25 that you come to in Exhibit No. 70.

1 BY MS. SPRINGER-CHARLES:

2 Q No. 3, it says, Mr. Salovay has no special role
3 in this offering. I guess the response to No. 3. I'm
4 not reading the question. The private place the
5 memorandum prepared by the company provides for
6 commissions to registered broker dealers. If Mr. Salovay
7 qualifies he would be paid accordingly. On sales by
8 other brokers, if appropriate, he would be compensated at
9 a two percent rate. He has received no commissions in
10 this offering, has made no sales in this offering and has
11 only recently begun soliciting licensed broker dealers to
12 work on this offering.

13 This is a letter drafted by Mr. Hackney. And I
14 don't know if it was sent or not. I'm not representing
15 to you that it was sent, but it appears to be intended to
16 be sent to Mr. [REDACTED]

17 A Okay.

18 Q Did someone come in?

19 MS. SINATRA: Someone tried to. They are gone.

20 MS. SPRINGER-CHARLES: Okay.

21 BY MS. SPRINGER-CHARLES:

22 Q Mr. Salovay, the statement made in this letter
23 seems to contradict what you were told by Matthew Welch?

24 A That is absolutely correct.

25 Q Okay. Was it your belief, and this is just a

1 straight up question, was it your belief that you needed
2 to be a registered broker dealer in order to receive
3 commissions from Diversified for the sale of the bonds?

4 A Not when they reregistered the product, no.
5 And I've never seen this or heard anything about this
6 agreement, about this two percent or anything else that
7 is in this letter.

8 Q Was it ever your belief?

9 A No, not from -- no, absolutely not. Because,
10 like I said, prior, you know, they did their background
11 check, they asked me about my seven. I told them it was
12 suspended. That I would have to pay \$5,000. I said, I
13 really don't do any business anymore, you know, with
14 stocks or mutual funds. They said, you're fine. You
15 have your life, accident and health and you are also
16 licensed to be variable annuities in the State of
17 Pennsylvania, so you are fine. They came to me and told
18 my that.

19 Q Had you already received commissions related to
20 this offering at the time of this --

21 A Of this letter?

22 Q Yes.

23 MS. SINATRA: I just want to clarify before you
24 answer. When you say, this offering, are you talking
25 about the first offering or the second offering in

1 Pennsylvania?

2 MS. SPRINGER-CHARLES: The first offering.

3 BY MS. SPRINGER-CHARLES:

4 A Prior to this letter, I believe, I did have two
5 clients in already?

6 Q Yes.

7 A So, yes, the answer is yes.

8 Q Who were those two clients?

9 A I believe it was Samuel [REDACTED] Sr. and his
10 son, Samuel [REDACTED], Jr.

11 Q And --

12 A Can I go back?

13 Q When did --

14 A Can I go back? I know for a fact I received
15 compensation before this letter was out.

16 Q Did those two individuals receive their, I
17 guess, their money back prior to -- I guess, period? Did
18 they receive their money back at some point?

19 A Could you restate that question, because, I
20 mean, yes, because --

21 Q You mentioned that, I guess previously you
22 mentioned that Diversified had the first offering, which
23 was then, I guess, rescinded or -- I can't recall what
24 word you used.

25 A They had two registrations in the State of

1 Pennsylvania. One was for accredited and one was for
2 nonaccredited. Both of the [REDACTED] were accredited,
3 so, no, they didn't get their money back. It was people
4 that were in the nonaccredited.

5 Q I see.

6 MS. SPRINGER-CHARLES: I'm going to ask the
7 Court reporter to now place in front of Mr. Salovay and
8 please give a copy to Ms. Sinatra of Exhibit No. 69. A
9 composite exhibit of letters dated March 30, 2010, and I
10 believe one dated July 23 of 2010, to certain
11 Pennsylvania investors from Diversified.

12 BY MS. SPRINGER-CHARLES:

13 Q Okay. Mr. Salovay, is Exhibit 69 as I've
14 described?

15 A Yes.

16 Q Take a minute to look through Exhibit 69 and
17 please let me know if you've seen any of these letters
18 before.

19 A I can tell you the first page, absolutely not.
20 And I don't even know who that person is.

21 Do you want me to go page by page for you?

22 Q Yes, please.

23 A Page 2 I've never seen. Page 3 I've never
24 seen. Again, I don't know who this Mrs. Darr is, either.

25 Q Okay.

1 A Page 4 I've never seen. Page 5 of this Terri
2 ██████ I don't know who that is either and I've never
3 seen this letter.

4 MS. SINATRA: Why don't you refer to the Bate
5 stamp at the bottom, see where it says, Diversified 1883.

6 THE WITNESS: Okay. Okay.

7 BY MS. SPRINGER-CHARLES:

8 A So, on Diversified 1883 on the bottom, Valerie
9 ██████ was one of -- it was Samuel ██████
10 daughter. She was nonaccredited, so she got her money
11 back. But I have not seen the letter.

12 Q Did she ever discuss this letter with you?

13 A Not to my recollection, no.

14 Q Did she ever ask you why she was receiving her
15 money back?

16 A I told her she was getting her money back,
17 because she didn't qualify, because she wasn't
18 accredited. That is what I told her.

19 Q Did you have any discussions with anyone at
20 Diversified about sending, I guess, about the contents of
21 this letter sent to Ms. Fleming?

22 A No.

23 MS. SINATRA: And I think he testified he has
24 never seen this letter.

25 BY MS. SPRINGER-CHARLES:

1 A I have never seen this letter.

2 Q Yeah, and the question is: Did he ever discuss
3 Diversified, the contents of the letter with the --

4 A Not the contents of the letter. What we
5 discussed about that was that they were nonaccredited and
6 that they would be getting their money back. That was
7 the extent of our -- because of the pulling of that
8 registration.

9 Q And Ms. [REDACTED] never called you to discuss the
10 letter that she received?

11 A No.

12 Q Okay.

13 A 1884 I've never -- no, I've never seen 1884.

14 Q Why don't we just look at the letter, yeah,
15 let's look at just the letter, 1397, did you ever see
16 this letter before?

17 A Don't know who those people are and never saw
18 the letter.

19 Q Let's go to 2662. Do you know who Howard Jones
20 is?

21 A To the best of my recollection, I believe
22 Howard Jones was a client of Ron Krangnes, but I have not
23 seen this letter.

24 Q Did Mr. Jones discuss with you or Mr. Krangnes
25 the contents of this letter?

1 A No. I believe Ron told me that --
2 Q Let's look at 2799.
3 A Okay.
4 Q Go ahead. I'm sorry.
5 A I believe Ron told me that Mr. Jones did get
6 his money back.
7 Q And was it because he was unaccredited as well?
8 A That's correct.
9 Q Do you know the investors or the individuals
10 listed in the address line on Diversified 2799?
11 A I do not.
12 Q Do you know the individual listed on the
13 address line on Page Diversified 2846?
14 A I do not.
15 Q Same question for Diversified 2866?
16 A I do not.
17 Q Same question for Diversified 3482?
18 A I do not.
19 Q And, finally, same question for Diversified
20 14321?
21 A I do.
22 Q How do you know him?
23 A He is a good friend of mine. He is also a
24 client, and --
25 Q His name?

1 A David Grottenthaler.

2 Q Okay. Did he invest in diversified?

3 A He did.

4 Q At some point did he receive his investment
5 back from Diversified?

6 A He did, but he asked for it back. He is
7 accredited. He is big time accredited. So, I'm trying
8 to think of the situation. He actually works in the gas
9 and oil industry. And he went through his investment and
10 when he was through it, he just asked for his money back
11 and he got it. It had nothing to do with this letter.
12 I've never seen this letter.

13 Q Okay. And he never discussed --

14 A No. He made a phone call to me. He said, I
15 want to get my original principal back. I made a phone
16 call to Matthew. He had his check within three weeks,
17 but there was never --

18 Q When -- you can put the exhibit to the side.

19 A Okay. And Ms. Springer-Charles, I was told
20 that I was actually the only person in Pennsylvania that
21 was licensed with Diversified. So, all of these people,
22 I have no idea where they are coming from.

23 Q Do you know anyone other than Mr. Krangnes who
24 sold Diversified bonds?

25 A I didn't until this week when I did some

1 research, and I guess there was a gentleman in York,
2 Pennsylvania, but he actually, he lived in York, but I
3 believe he did a lot of business in Maryland, because it
4 is right on the border of York, Pennsylvania and
5 Maryland.

6 Q Who is that individual?

7 A I don't know. Ms. Sinatra has a copy of a
8 letter that I found. We just found this this week.

9 Q That's fine. That's fine. You mentioned that
10 for several weeks before referring the first investor to
11 Diversified, that you had conversations with Matt Welch
12 and you produced a copy of some handwritten notes that
13 you had taken during those discussions. But I want to
14 ask you, specifically, what did Mr. Welch tell you about
15 Diversified's use of oil and gas experts, if anything?

16 A We were probably on the phone for 45 minutes to
17 an hour. Again, I -- it was an advertisement in Life
18 Sales Journal which is a life insurance periodical for
19 us. It is our professional journal. And I made the
20 phone call to Matthew and he, you know, he told me about
21 they had geologists on staff, I believe, from Chevron,
22 you know, that was going out and doing this research for
23 them. They had FCC attorneys behind them, which was Mr.
24 Hackney. They had a person that was a gas and oil
25 trading specialist, which was Carmine. They were doing

1 oil and gas and what he explained, then, too, is they set
2 the money up in different places. They would go out and
3 leases for these oil and gas wells, so they generate
4 income from the oil and gas wells and their royalties.
5 And they also had an account set up that would protect
6 themselves if the price of oil and gas went down. So,
7 what he said was, no matter which way the oil and gas
8 goes, we're in the position that we'll still be making
9 money. I can't remember the name of the geologist he
10 had. I know it is in their subscription agreement. I
11 never met the person or talked to that person. But I
12 believe they said he was a geologist from Chevron.

13 **Q What did he tell you that the geologist did for**
14 **Diversified?**

15 **A** That he would go out and any wells they were
16 interested in, he would go out and do all the preliminary
17 work to see if it was actually functioning or producing
18 what it said it was supposed to produce. Or if those
19 areas where the wells were actually areas rich in oil and
20 gas. And he would go out and do studies and --

21 **Q Hat he would do this for each of the wells in**
22 **which Diversified invested?**

23 **A** I don't know if he said, each of the wells, but
24 most of the bigger wells, correct. And then Matthew
25 explained that a lot of these wells that they get they

1 buy on auction at discount. That a lot of these bigger
2 companies, when these wells aren't producing millions of
3 barrels, they won't renew their lease. And that is when
4 Diversified comes in and gets it at a discounted rate and
5 it produces plenty enough for them to get their returns.
6 And that is what the geologist was supposed to be there
7 to be doing.

8 Q Did Matthew tell you anything about
9 Diversified's use of a reservoir engineering firm?

10 A No.

11 Q Did he tell you that Diversified or anything
12 about whether Diversified possessed oil and gas
13 technologies themselves?

14 A Could you explain the word, technologies, to
15 me, as far as your definition of technology?

16 Q Any technology related to the drilling for oil
17 or --

18 A Do they own physical assets that actually
19 drilled for oil? No. He said that they --

20 Q Drilled and/or did anything else -- go ahead.

21 A They said they bought the leases to these wells
22 and that they would have, if some of the wells needed a
23 little bit of work on it, they would send people down to
24 fix the well. It might only need couple thousand dollars
25 to fix it, but then it would produce what they wanted.

1 But as far as physically owning any oil and gas rigging
2 equipment? No.

3 Q They would send people down. People from
4 Diversified staff, what type of people?

5 A I believe he was saying that they had like
6 third-party people they had, they would send out to do
7 any maintenance.

8 Q What did Matt tell you about any of the
9 individuals who worked at Diversified, about their
10 experience in the oil and gas industry?

11 A He told me that Carmine has been trading oil
12 and gas for double digit years. You know, that Carmine
13 was at real, he was the guy that was really handling all
14 the numbers, all the purchasing. He basically said that
15 Carmine was, I'm using this word loosely, a genius behind
16 the oil and gas industry. That he has been doing this
17 for years, that is how they met. I know David and
18 Carmine met at Met Life as traders.

19 He never really talked about David, as far as
20 what David really did. He just said David was the
21 president. You know, he put most of the -- most of the
22 knowledge between himself and Carmine, as far as the oil
23 and gas business. And then they also said --

24 Q Go ahead.

25 A Go ahead. I'm sorry. Because there was more

1 in oil and gas. They also said that they owned cattle,
2 fish farms, alternate energies. He said David was more
3 the alternate energy side and also the fish farming that
4 they did up at his house up in Georgia. So; like that's
5 -- I just want to give you a full thing of what Matthew
6 was telling me, access to oil and gas, David was more of
7 the alternative energy and the fish farms. Carmine was
8 more the oil and gas. And I don't know who was really
9 the -- I believe they said they were dealing with someone
10 as far as a broker out of Manhattan for the cattle. And
11 I can't tell you who that is. I don't know their name.

12 Q That's fine. What did Matt tell you about
13 Diversified's financial performance through that time, if
14 anything?

15 A It wasn't just me. Actually, they sent out
16 statements to the clients with their checks, stating that
17 they were in a strong financial --

18 Q Actually I'm talking about -- I'm sorry, Mr.
19 Salovay, in those initial discussions before you --

20 A Okay. I'm sorry. We are going back to like
21 the initial notes?

22 Q Yes, um-hum, yes.

23 A Basically, the only thing I can recall from
24 that is, he was telling me what they had in reserves,
25 already, from their oil and gas. That it was

1 approximately, I'm just -- approximately, I want to say,
2 it was \$4 million they had just in reserves. And that
3 they had probably over 100 shareholders in the company.

4 Q Did he tell you that Carmine had been
5 successful in commodities training?

6 A Yes.

7 Q Did you -- did he tell you how long Diversified
8 had a commodities trading account at that point?

9 A No, he did not. He went through most of the --

10 Q Go ahead.

11 A He went through a lot of the, how they buy
12 their wells, where they get their money, what kind of
13 wells they look for, how they buy them on auction. How
14 it is more of a liquid product, that it is just a
15 one-year product, how they pay their interest.

16 Q And did he tell you that the returns were
17 guaranteed to investors?

18 A I'm going to have to think about that.
19 Guaranteed? I don't recall if he used the word,
20 guaranteed. But he said it was very safe, because they
21 were, it was debt they were issuing, you know, the worse
22 case scenario, if anything happened, they have these oil
23 and gas wells, they have their office building, they
24 would be able to sell off everything and pay back the
25 investors was the worst case scenario.

1 Q Is Matt the person that you primarily spoke
2 with at Diversified?

3 A I would say about 90 percent of the time,
4 correct.

5 Q Who else did you speak with?

6 A I spoke with Carmine a couple of times. And
7 Carmine, I think it is Del Sala. And then David
8 Havanich, Jr. would pick up the phone sometimes and we
9 would talk for a little bit. But they always shoveled me
10 over to Matt. No matter what the question was, I
11 basically got shoveled over to Matt. I'm sorry, Matthew.

12 Q You were going to speak before about how,
13 throughout the years, between 2009 and '12, how did you
14 learn about how the company was doing financially?

15 A They would send out statements to the clients,
16 whether it was monthly or quarterly, about the wells that
17 they purchased, whether it was a gas or oil well, whether
18 they purchased more stake -- that's a bad word -- more
19 stake in the cattle or the fish farms or, I'm sorry, that
20 is the only word that came to my mind. Or what their
21 reserves were at, you know, and they would show -- they
22 would show a bar graph between how they were doing and
23 the S&P. And it seemed, you know, it seemed pretty
24 legit, because they didn't always show a positive month.
25 Every once in a while they would show maybe a two percent

1 loss. So, it wasn't always, you know, line shot to the
2 moon, but it always showed progression going upward. But
3 that was something that they sent out to the clients.
4 Actually they didn't necessarily send it to me all the
5 time, but my clients got copies of it.

6 Q What, exactly, was your role to be as it
7 related to your relationship with Diversified?

8 A As far as between me and Diversified, or myself
9 and the clients or just me and Diversified?

10 Q With you and Diversified?

11 A Simplest terms is they just wanted me to go out
12 and find clients for them.

13 Q How were you supposed to go out, or how did you
14 go out and find those clients?

15 A Through my client appreciation seminars that I
16 do. About once a year I would invite all of my clients.
17 And then Diversified would come up here to Pittsburgh and
18 they would do their presentation. And we would, you
19 know, they would sign in, Diversified would hand them
20 their packet of information. They would do a slide show
21 presentation. Again, that was Matthew that did the
22 presentation.

23 Q Did Carmine or David ever participate in the
24 presentation?

25 A Not in the participation, more on the question

1 and answer afterwards, and that was mostly Carmine. If
2 there was questions --

3 Q Did you ever?

4 A I'm sorry.

5 Q Go ahead.

6 A If there were questions about the alternative
7 fuel or the fish farms, David would follow up on that,
8 but that was very few and far between.

9 Q How were you compensated for bringing clients
10 to Diversified?

11 A Diversified just paid me a percentage of what
12 the clients invested.

13 Q What was the percentage?

14 A It was -- it was different a couple of
15 different times. They had one for insurance agents.
16 They had one for brokerage. They had one for
17 reinvestments. So, it was anywhere between five and ten
18 --

19 Q How were you --

20 A It was anywhere between five and the m was ten
21 percent on the accredited investors.

22 Q Can you explain that to me a little bit more,
23 where your statement, one for insurance agents, one for
24 brokers, can you explain the distinction and how, I
25 guess, different percentages?

1 A I can't tell you exactly what the percentages
2 were, but Matthew told me that there was, it depended on
3 the state you were in and also depended if you had an
4 insurance license, if you had a Series 7 license and what
5 your renewals were. So, if somebody reinvested in their
6 bond, there would be a -- you wouldn't get the full
7 amount again. You would get a portion of that amount for
8 the following year. It was somewhere between --

9 Q And I guess I want to know, specifically, what
10 you got over the course of your relationship with
11 Diversified, what percentage of the invested amount did
12 you receive?

13 A Ten percent on the initial. And then I believe
14 it was -- I can't remember. I think the renewals were
15 seven or eight percent.

16 Q And you received that fee only if someone you
17 introduced or referred to Diversified actually invested;
18 correct?

19 A That is correct.

20 Q Did Mr. Krangnes enter into, we looked before
21 at the finders' fee that you entered into with
22 Diversified.

23 Did Mr. Krangnes also entered into an agreement
24 like that with Diversified?

25 A I don't know, because we are independent. So,

1 it's not like I was a supervisor for him, so I can't say
2 yes or no to that.

3 Q About how many investors did you refer to
4 Diversified?

5 A Can I have a moment for that one?

6 Q Sure.

7 A I would say, roughly, between 25 and 30.

8 MS. SPRINGER-CHARLES: And I'll ask the Court
9 reporter to mark a copy of the document in the folder
10 labeled E as Exhibit 186. It is a document entitled,
11 Diversified Energy Group transaction detail by account,
12 and it is dated, 4/24/2012, Bates labeled Diversified
13 6339 through 6340. And also please give a copy to Ms.
14 Sinatra.

15 (SEC Exhibit No. 186 was marked
16 for identification.)

17 BY MS. SPRINGER-CHARLES:

18 Q Mr. Salovay, is Exhibit Number 186 as I've
19 described?

20 A Yes.

21 Q Have you ever seen this document before?

22 A No.

23 Q Let's just take a look at it. Does this appear
24 to be a full list of all of the individuals to whom you
25 solicited to purchase the Diversified bonds?

1 A If you go to the fifth person down from the
2 top, that D-a-r-r, the Darr, I don't know who that is.
3 Again, that was in one of those letters.

4 Q Okay.

5 A Also, on Page 1, again. I'm sorry. The third
6 person down, Steven [REDACTED]. I don't know who that is
7 either. But the rest are people that were clients of
8 mine.

9 Q Were all of the people that you referred to
10 Diversified from Pennsylvania?

11 A Correct. They are all in the Pittsburgh,
12 within about an hour of Pittsburgh.

13 Q I want to just go through, well, I guess, most
14 of these individuals, and I would just like to know how
15 you know them. I realize most of them will have been
16 your clients, but I'm not positive.

17 A Sure.

18 Q So, let's just go through them. Who are Sheri
19 and Kevin, net try? Who are Sherry and Kevin Necciai?

20 A It's Necciai.

21 Q Okay.

22 A I can make this really simple for you. Samuel
23 [REDACTED] [REDACTED]. was somebody who contacted me about
24 health insurance. And everybody on this page, besides
25 one or two, either worked for him or is related to him.

1 So, the [REDACTED]'s were actually Samuel [REDACTED] Jr.'s --
2 he worked for Samuel [REDACTED] Jr. So, Samuel [REDACTED],
3 Sr. introduced me to Samuel [REDACTED], Jr. And Samuel
4 [REDACTED] Jr. introduced me Kevin and Sherry, who worked
5 for Samuel [REDACTED] Jr. And these were all, actually,
6 from one seminar, one dinner. So, Mr. [REDACTED] basically
7 invited all of these people to dinner.

8 Q What does Mr. [REDACTED] do?

9 A He is retired.

10 Q Senior, [REDACTED] Sr.

11 A He is actually retired, but he still owns a
12 cattle farm.

13 Q And what does his son do?

14 A His son is a supervisor for [REDACTED],
15 which is a utility company in Pennsylvania and Ohio.

16 Q And did his son invite some of the employees to
17 this one meeting where you -- where the Diversified
18 investment was discussed?

19 A Yes.

20 Q Who is Sara? Is she related to Sherry and
21 Kevin?

22 A That is their daughter.

23 Q Okay. Who is Sherry [REDACTED]

24 A That is Samuel [REDACTED] Jr.'s wife.

25 Q And how about Valerie [REDACTED]

1 A That's their daughter. That is the one that
2 wasn't accredited and the money was given back.

3 Q Whose daughter?

4 A I'm sorry, Samuel [REDACTED] [REDACTED]

5 Q And who is Joan [REDACTED]

6 A Joan, it is actually, Joan, even though it is
7 spelled, Joan. It is very weird. It throws you for a
8 loop. That is Samuel [REDACTED] Sr.'s wife.

9 Q And who is Jeffrey [REDACTED] Jr.?

10 A That is Samuel [REDACTED] Sr.'s son, other son.
11 And, I'm sorry, I'm sorry, did you say, Jr.?

12 Q Well, there's a Jeffrey [REDACTED] [REDACTED]

13 A Correct. Okay, Jeffrey [REDACTED] [REDACTED] is Samuel [REDACTED]
14 [REDACTED] Sr.'s son. And Samuel [REDACTED] Jr.'s brother.

15 Q Okay. And is there also Jeffrey [REDACTED] [REDACTED]
16 Jr. who invested?

17 A Not anymore. He is passed away.

18 Q Okay. Okay. Who is Gregory and Burnadette
19 [REDACTED]

20 A That is where we -- where we had the client
21 appreciation seminar. Greg [REDACTED] was friends with Samuel
22 [REDACTED] Sr., and we held the dinner at his
23 restaurant. And Burnadette is his mother.

24 Q His mother. Who is Howard [REDACTED]

25 A Don't know. I believe that was one of Ron

1 Krangnes's.

2 Q Okay.

3 A He was in that letter that I said that it was
4 Ron's client.

5 Q Did you receive a percentage of the investment
6 of Ron's clients?

7 A I think he just had that one client. And then
8 he got --

9 Q And did you receive a percentage of that
10 investment as a commission to you?

11 A You mean, from Diversified or from Ron?

12 Q From either or.

13 A I don't recall, because I know he got his money
14 back, so I don't know if there was a charge back or if we
15 got paid. I don't recall that.

16 Q Who is Michael [REDACTED]

17 A I'm sorry?

18 Q Michael [REDACTED].

19 MS. SINATRA: How do you spell that last name?

20 BY MS. SPRINGER-CHARLES:

21 Q [REDACTED]

22 A [REDACTED] I don't know who that is. [REDACTED]

23 -- I'm sorry, can you spell [REDACTED]

24 Q Yes.

25 A I don't know who that is.

1 Q Who is Edward [REDACTED]

2 A He is a good friend of mine.

3 Q Who are George and Linda [REDACTED]

4 A That is Samuel [REDACTED] Jr. and Sharon's --
5 Sharon [REDACTED] and brother-in-law and neighbor.

6 Q Do you know Paul [REDACTED]

7 A [REDACTED] [REDACTED] yes. He is my friend and my
8 neighbor.

9 Q How about John and, I'm going to butcher this
10 last name, [REDACTED]
11 [REDACTED] [REDACTED], that is actually -- trust me,
12 it took me a couple of months. That is Sharon [REDACTED]
13 [REDACTED] and Sharon [REDACTED] that's Sharon [REDACTED]
14 parents.

15 Q Who are the [REDACTED] Joseph, Stanley and
16 Christy?

17 A It's the [REDACTED]

18 Q [REDACTED]

19 A The [REDACTED] are friends of the [REDACTED] and
20 they do, they own a [REDACTED] in Western
21 Pennsylvania and they do a lot of [REDACTED] for
22 Samuel [REDACTED] Jr.'s company.

23 Q And how are Joseph, Stanley and Christy
24 related?

25 A Joseph and Stanley are brothers. And Christy

1 is Stanley's daughter.

2 Q Who is Sally [REDACTED]

3 A Her husband, Robert [REDACTED] owns another
4 [REDACTED] that does the same work for Samuel [REDACTED]
5 [REDACTED] Jr.'s company, so that would be Bob [REDACTED] wife,
6 who he introduced me to his wife.

7 Q Who is Barbara [REDACTED]

8 A That is Joan [REDACTED] niece.

9 Q And how about Dennis [REDACTED]

10 A That is Sharon F [REDACTED] uncle.

11 Q Is Samuel [REDACTED] who introduced you to many of
12 the people to whom you sold the Diversified bonds;
13 correct?

14 A Pretty much everybody but Paul [REDACTED] and
15 Edward [REDACTED].

16 Q Okay.

17 A We might as well finish up the last one. Mr.
18 [REDACTED] was Sharon [REDACTED] boss on Page 2. Not the
19 [REDACTED] on Page 1. I don't know that person.

20 Q Did you provide any of your clients a
21 confirmation for each transaction they had with
22 Diversified where you disclosed how much commissions you
23 were receiving?

24 A No.

25 Q Why not?

1 described.

2 It is a composite exhibit, Bates label is
3 Diversified 26072?

4 A Correct.

5 Q Is that your e-mail on the top e-mail address
6 on the top of this first insurance page, Diversified
7 26072?

8 A Correct.

9 Q On the front line?

10 A Yes.

11 Q So, this is an e-mail from Matt Welch to you;
12 correct?

13 A Correct -- no, no, this is an e-mail from me to
14 Matt Welch.

15 Q I'm sorry, to Matt Welch; correct?

16 A Yes.

17 Q On this first e-mail, and they may or may not
18 look all of the documents in this, but on this first
19 e-mail you state to Matt, I love my clients. We will hit
20 good numbers. You forwarding him an e-mail from Shannon

21

22  Correct.

23 Q And you say, you'll hit good numbers for the
24 seminar and it will just take a little longer. If you
25 can send some off, that would be great.

1 What seminar were you referring to here?

2 A My client appreciation seminar. The dinner
3 seminar where they came up and did their presentation.

4 Q What packets are you referring to that you came
5 out of pocket for?

6 A The Diversified folders that have the
7 subscription agreements in it, they have their quarterly
8 statements in it.

9 Q And, so, Diversified would send those to you
10 and you would pass those on to perspective and potential
11 investors?

12 A Most of them, what happened is, Diversified
13 would hand them out at the seminar. But, like, in this
14 case, Sharon's uncle couldn't be at the first seminar, so
15 I just asked to send packets up to me so I could one to
16 them.

17 Q Okay. Turn with me to the next e-mail, these
18 are going to be in consecutive Bates order, but they are
19 in date order. But the next e-mail is Bates labeled
20 diversified 36496. And Matt Welch is forwarding -- you
21 can have some time to look at it, of course, but Matt
22 Welch, appears to be forwarding you to some, I guess what
23 it looks like is hotel reservation for Carmine and
24 perhaps others for a hotel stay in New York.

25 Why did he forward this to you?

1 A Because my fiance works for the [REDACTED] Hotel
2 where they were staying. And this is where they --

3 Q New York?

4 A I'm sorry.

5 Q In New York?

6 A No, she works for corporate.

7 Q Okay.

8 A And they were going up to do their shareholders
9 meeting, so they asked me if I could get them a better
10 hotel rate.

11 Q And who is your fiance?

12 A Dawn [REDACTED]

13 Q But she was not on this chain; correct? He was
14 asking if you could get a better rate than what is stated
15 in this e-mail chain, is that what you are saying?

16 A That I don't know. I think that is correct. I
17 think these were the confirmations that Carmine already
18 had and he asked if I could get them, ask Dawn to get a
19 better rate than what they were getting.

20 Q I got it. But you didn't attend that seminar;
21 correct?

22 A No, that was for their shareholders, no.

23 Q Turn with me to the next exhibit. It's going
24 to be an October 26, 2011 e-mail from yourself to Matt
25 Welch and it's Bate's labeled Diversified 32634.

1 A Yes.

2 Q Is this confirmation that you sent to Matt, is
3 this the one time that you visited the reservoir?

4 A That's correct.

5 Q That we discussed in your previous testimony?

6 A That's correct.

7 Q So, you went for approximately a day?

8 A Yes, I went to go check out their office to
9 make sure it was legit and, yeah, so, I just went in and
10 came back the next day.

11 Q Turn with me now to the next -- not the
12 following e-mail, but the one after that, a January 13,
13 2012 e-mail. And the Bates label on the bottom is
14 Diversified 34909.

15 A I'm sorry, 349 --

16 MS. SINATRA: 09.

17 BY MS. SPRINGER-CHARLES:

18 Q It's 09.

19 A Okay.

20 Q And here we are going to have three different,
21 I think, three, confirmations related to room
22 reservations at the Omni?

23 A Yes.

24 Q In Pennsylvania?

25 A Correct.

1 Q What was this related to, Mr. Salovay.

2 A To the -- when they came up and did the
3 presentations for my clients for the dinner. I get
4 better -- I'm a select guest at the [REDACTED] because of my
5 fiance, I get better rates, so I booked the rooms.

6 Q You have three different confirmations. You
7 booked three different rooms for them, is that what it
8 is?

9 A One for Matthew, one for David, one for
10 Carmine.

11 Q Okay. And did they reimburse you?

12 A No. What happens is, I can hold the
13 reservation under my select guest number, I can make the
14 reservation. And then they can put it on their credit
15 card when they come in.

16 Q And is that what happened?

17 A Yes.

18 Q Turn with me to the very last e-mail in this
19 Exhibit 187. It is March 1, 2012 e-mail and it is Bates
20 labeled Diversified 35883. And here you send an e-mail
21 to Matt Welch. And it says, here is a list of the
22 non-client leads from the presentation.

23 What did you mean by that?

24 A Everybody that was at the presentations were
25 always previous clients of mine. These were folks that

1 -- that either for -- remember when I said, Samuel [REDACTED]
2 [REDACTED] Jr. invited people from his work. These are
3 some of the people that he invited. These are also, like
4 Robert [REDACTED] is in there, that Samuel, Jr. invited. Denny
5 [REDACTED] was with Sharon. So, these are people that I did
6 not have a client relationship with at that dinner
7 presentation.

8 Q Which of these people, and I know you just
9 mentioned the names, but to make it clear, which of these
10 people definitely invested with Diversified?

11 A Just Denny [REDACTED] which is Sharon [REDACTED]
12 uncle. And then Robert [REDACTED] Jr., but it was actually
13 his wife that did the investment, not him.

14 Q Sally, that we saw before?

15 A Yes, correct. That is it.

16 THE WITNESS: May I ask a favor, please?

17 MS. SPRINGER-CHARLES: Yes.

18 THE WITNESS: May I use the rest room.

19 MS. SPRINGER-CHARLES: Sure. Let's go off the
20 record.

21 (A brief recess was taken.)

22 BY MS. SPRINGER-CHARLES:

23 Q Mr. Salovay, did we have any substantive or did
24 you and anyone on the staff, have any substantive
25 discussions about this matter while we were off the

1 record?

2 A No.

3 MS. SPRINGER-CHARLES: I'm going to ask the
4 Court Reporter to mark a copy of the document in the
5 folder labeled G as Exhibit 188. It is a composite
6 exhibit of e-mails and hand and typewritten notes
7 regarding Mr. Salovay's communications with Diversified.

8 (SEC Exhibit No. 188 was marked
9 for identification.)

10 BY MS. SPRINGER-CHARLES:

11 Q Mr. Salovay, I want to go through some of these
12 e-mails just to get some context related to what they
13 were about.

14 A Okay.

15 Q And some of the notes that are in here. Let's
16 start with the first one. They are in date order, not
17 necessarily Bates order. First one is a March 8, 2011,
18 e-mail from Matt Welch to you, Mr. Salovay, again, that
19 is your e-mail address; correct?

20 A That is correct.

21 Q Why -- do you know why this document was sent
22 to you? What is it and why was it sent to you?

23 A This is -- the document is the next couple of
24 pages; correct?

25 Q The attachment to the e-mail, I'm sorry, the

1 deposit coupon that is attached to this e-mail.

2 A Okay. Okay. All right. That makes sense,
3 yeah. What this is is Sharon [REDACTED] had an old IRA that
4 she wanted to use Diversified as an IRA; so Matthew sent
5 over the stuff. Sterling Trust, which is now called
6 Equity Trust, was the company that they used as the
7 custodian for IRA accounts.

8 Q And, so, he was sending it onto you and did you
9 pass it onto Ms. [REDACTED]

10 A I believe so.

11 Q Let's turn now to the e-mail that is dated
12 Friday, May 13, 2011 and the Bates number is Diversified
13 30550?

14 A Correct.

15 Q And here you are e-mailing Mr. Welch, it says,
16 attached is Sharon [REDACTED] statement. And it
17 looks like she was placed in the 9.25 percent bonds, when
18 it should have been the 10.25 percent offering.

19 Did Ms [REDACTED] ask you to contact Diversified
20 on her behalf?

21 A Yes.

22 Q Let's turn to the next e-mail. It is a May 18,
23 2011 e-mail from yourself to Matt Welch. And it is
24 Diversified 31143.

25 Can you tell me what is being discussed here

1 and if you routinely handled matters like this?

2 A I believe this was Sharon -- I'm sorry, Samuel
3 [REDACTED] Jr. and Sharon had a bond together. And I
4 believe that the check kept coming to Justin [REDACTED]
5 Jr.'s name and it was supposed to be in both. And Sharon
6 asked me if I could talk to Diversified and get that
7 correction made.

8 Q And did you routinely handle matters like these
9 for investors?

10 A Yes.

11 Q Let's turn to the next e-mail. It is the May
12 26, 2011 e-mail, Diversified 30883. And Candy is
13 actually sending Matthew an e-mail, it says, the subject
14 is, Mike Salovay called and the text said, sending a
15 check to Mara from Mr. [REDACTED] [REDACTED], \$10,000 and he is
16 removing his bond.

17 Did you handle sending the check to Diversified
18 on behalf of Mr [REDACTED]

19 A Yeah, I think, we did everything FedEx, so
20 Diversified gave us a FedEx account to send all of their
21 clients' stuff down.

22 Q And did you personally handle sending the
23 check?

24 A In this case, I believe so, yes.

25 Q Let's turn to the next e-mail, the next two

1 e-mails, actually. The first one is Diversified 36511, a
2 June 6, 2011 e-mail. And Matt Welch is speaking to
3 Candy. And the subject is Sara --

4 A Necciai?

5 Q I forget how to say it, Necciai, I'm sorry. I
6 just went black. Necciai, it is a bond of 977, matures
7 on 6/9/10, and she will be renewing. A reminder, Salovay
8 gets five percent on this. And then we get, I guess,
9 look at the next e-mail, June 15th e-mail, it says, the
10 subject is Salovay, it is between Matt and Candy again.
11 And it says, please pay Matt seven percent on all
12 renewals.

13 Did you negotiate with Diversified to receive a
14 higher percentage on renewals?

15 A No, because the actual renewals were eight
16 percent, so to be honest, I don't know where this seven
17 --

18 Q Okay. So, you actually received 8 percent on
19 renewals; correct?

20 A Correct.

21 Q Turn with me to the August 23, 2011 e-mail,
22 Diversified 33719?

23 A Okay.

24 Q And you sent an e-mail to Matt Welch at the
25 bottom, the July 18, 2011 e-mail, that says, Matt per our

1 phone conversation, here is the info on the
2 clients/payments that need to be adjusted.

3 Q What is this e-mail about?

4 A I believe if you go back to, is it 36511?

5 Q Okay.

6 A Where he says that Salovay gets five percent on
7 this.

8 Q Okay.

9 A And I just represented that renewals were eight
10 percent. That calculation is the difference between the
11 five and the eight.

12 Q Got it. Let's look at Diversified 33721. It
13 is an e-mail from you to Mr. Welch, August 23, 2011.

14 Q What is this e-mail about?

15 A I'm sorry, what was the number again?

16 Q August 23, 2011, 10:31 a.m. e-mail,
17 Diversified, 33721.

18 Q What is this e-mail about?

19 A That was the adjustment that they never made on
20 the renewals.

21 Q Okay.

22 A If you go back to the prior, 33719.

23 Q Right.

24 A And then 33721, it was just sending them a
25 reminder that it was never done.

1 Q Okay. Let's turn to the next e-mail. It is an
2 October 4, 2011 e-mail and it is Bates labeled
3 Diversified 31580.

4 What is this e-mail about? It is from yourself
5 to Matt Welch?

6 A Yeah, we've had nothing but -- this was from,
7 actually, Sterling going back to Sharon [REDACTED] IRA
8 account. And Sharon sent this to me because they said
9 that Sterling Trust, if you look at the bottom half of
10 this page, Sterling Trust sent out this to Sharon Fleming
11 that said they couldn't get ahold of her. So, Sharon
12 e-mailed me, because the phone number and everything was
13 correct and we couldn't figure out why -- we had nothing
14 but trouble with this Sterling Company. So, I talked to
15 Matthew and I just asked him, is this a legitimate
16 company? Why are we having all these problems, because
17 they are saying that they couldn't get ahold of Mrs.
18 Fleming.

19 Q Turn to the next e-mail, it is an October 13,
20 2011 e-mail that attaches what appears to be two
21 documents.

22 Why was this document sent to you, or these
23 attachments to this e-mail, why were they sent?

24 A Because, this was when they -- I don't know if
25 this is when they redid their registration, but Matthew

1 said they didn't have anything printed. They just had
2 them in an e-file, so he just sent this to me so I would
3 print it out, because they didn't have anything hard copy
4 printed yet.

5 Q Did you print these and give them to investors?

6 A I can't say I did or didn't. I might have
7 waited until they actually printed it. Because I don't
8 have a big printer at home, so this would have been a lot
9 for me to print. I think I might have just waited until
10 they actually had --

11 Q Did you read the documents that were attached
12 to this e-mail?

13 A Did I read this whole thing? No, I did not
14 read every page, no.

15 Q Did you skim through the documents?

16 A Yes.

17 Q And let's go to the next e-mail, it is October
18 20, 2011 from Matt Welch to yourself, attaching, again,
19 two documents and it starts with the Bates label
20 Diversified 32347.

21 Again, why did Mr. Welch send you these
22 documents?

23 A This was the -- their new brochure that went
24 along with those previous documents. Remember when I
25 said before, at their presentations they would give you a

1 packet? What was included in that packet was that large
2 document in the front and then this is their brochure.

3 Q Okay. Did you give these documents to anybody,
4 the brochure and the business plan that are attached, did
5 you distribute them to anybody?

6 A Mostly at the dinner seminar that Diversified
7 handed out. Now, in the case of like Sharon's uncle that
8 couldn't be there, yes, I could have given these
9 documents.

10 Q Let's go to the next e-mail, which is an
11 October 26, 2011 e-mail, from yourself to Matt Welch.

12 Can you please let me know what was being
13 discussed in this e-mail?

14 MS. SINATRA: What is the Bate stamp?

15 MS. SPRINGER-CHARLES: Diversified 32633.

16 BY MS. SPRINGER-CHARLES:

17 A To the best of my knowledge, this is when Mrs.
18 Fleming wanted to renew her IRA, when her bond came due.

19 Q Um-hum.

20 A And I think she just needed paperwork from
21 Diversified.

22 Q Okay. Let's go to the next e-mail. It is
23 Bates labeled Diversified 33997 and a November 8, 2011
24 e-mail from Mr. Salovay to Mr. Welch. Again, what is
25 being discussed here and what role did you play in

1 regards to the transaction being discussed here?

2 A So, the top part where Matthew is e-mailing me?

3 Q Um-hum.

4 A Is back into regards to that previous e-mail
5 from Sterling, that Diversified got the money and they
6 reinvested the bond. And then Sharon sent me her -- an
7 e-mail saying that she wanted to renew her and Samuel
8 [REDACTED] Jr.'s bond, so I forwarded it to Matthew.

9 Q Let's go to the next e-mail, it is a November
10 9, 2011 e-mail, Diversified 34061.

11 What is this -- well, Candy sends an e-mail to
12 Matt, and the subject is Mike Salovay with a phone
13 number. Is that your phone number?

14 A Yes.

15 Q It says, he needs new subscription docs,
16 meeting with clients on Friday. Did you sometimes meet
17 with clients, not at the seminars, but separately, and
18 provide them with subscription documentation --

19 A Well, if it was a --

20 Q -- Diversified --

21 A Most of the people that I met with Diversified
22 was, like the people that you saw on the list, that
23 weren't already clients, I would meet with them after the
24 seminar, so I would need documents.

25 Q Okay. And you shared documents with them when

1 you met with them?

2 A Yes.

3 Q The next e-mail is a November 18, 2011 e-mail
4 and it attaches an Excel file. And it is sent from Matt
5 Welch to you, Mr. Salovay, Diversified 34197.

6 What is this document and why did Mr. Welch
7 send it to you?

8 A I believe this was just an update for the
9 Necciai's. They wanted to know about their payments of
10 their bonds. So I called down to Candy. And I believe
11 Candy gave these to Matt and then Matt forwarded them to
12 myself.

13 Q And did you then discuss the spreadsheet with
14 the Necciai's?

15 A I don't know if I sat down and talked with
16 them. I believe I forwarded the e-mail.

17 Q Let's go to the next e-mail, it is Diversified
18 34202. And, again, it is an e-mail from Matt Welch to
19 you, Mr. Salovay, November 18, 2011 and this time it
20 attaches an excel spread sheet related to the [REDACTED]
21 It is the same question, what is it and why was it sent
22 to you?

23 A If you can go on 34203, if you go up into the
24 upper left-hand, underneath the line where it says,
25 [REDACTED] comma Sharon?

1 Q Um-hum.

2 A And it says, Sterling?

3 Q Okay.

4 A That is the -- that is her IRA account, again,
5 that we were having so many problems with Sterling. We
6 just wanted to make sure that the payments were actually
7 going into her account.

8 Q Okay.

9 A And then the next -- the next five pages are
10 just the same as the Necciai's, these are just the
11 account updates of what was paid. So, it goes, if you
12 are on 34204.

13 Q Okay.

14 A The way that Diversified sent it to me is,
15 again, it would say [REDACTED] Sharon, the bond number was
16 0264, and then it would tell how much was invested and
17 how much they paid out on the quarterlies.

18 Q Okay.

19 A I'm not 100 percent sure, but I think the DD
20 stands for direct deposit.

21 Q Okay.

22 A Because, if you go to 34205, there is actually
23 check numbers attached to it on certain ones.

24 Q Right. Hum-um. Who is Valerie? Is she
25 Sharon?

1 A No, that is Guy and Sharon's daughter.

2 Q Oh, okay.

3 A I'm sorry, we call him Guy. It is Samuel, Jr.

4 Q Okay. And, so, here, on Page 34204, where it
5 says, [REDACTED] Sharon, Valerie's name is in parenthesis.

6 What does that indicate?

7 A That was money that Samuel, Jr. and Sharon had
8 set aside for Valerie that they saved all of this money
9 for her for college, but then she never went. So they
10 were kind of setting that as a separate account aside.

11 Q Got it. Did you discuss these spreadsheets
12 with Ms. [REDACTED]

13 MS. SINATRA: You mean Sharon [REDACTED]

14 MS. SPRINGER-CHARLES: Sharon [REDACTED] or Samuel
15 [REDACTED] after you received them.

16 BY MS. SPRINGER-CHARLES:

17 A I don't recall. We have a -- I meet with the
18 [REDACTED] quite often, so --

19 Q Okay. Turn with me to the February 3, 2012
20 e-mail, the Bates label is going to be 35299.

21 A Okay.

22 Q E-mail from Matt Welch to you, Mr. Salovay.
23 What was this e-mail about?

24 A This is going back to you -- I don't -- from
25 the previous e-mail from Sterling when I sent it to

1 Matthew, it said that it looks like Mrs. [REDACTED] is in
2 the wrong bond. She should be in the 10.25, not the 9.
3 This is Sterling getting back to Matthew saying that they
4 are rebuying it and putting her in the correct bond.

5 Q Okay. Okay. Was Ms. [REDACTED] Sharon, the only
6 one who had a Sterling account?

7 A Yes.

8 Q The only one of your clients who had a Sterling
9 account?

10 A Yes, thank goodness.

11 Q Turn with me to the March 7, 2012 e-mail. It
12 is an e-mail from Matt Welch to yourself, Mr. Salovay,
13 Bates labeled starting 35831?

14 A Yes.

15 Q And it attaches a direct deposit election form.
16 Why did Mr. Welch send this form to you?

17 A I believe one of my clients decided to no
18 longer -- they didn't want to get the check anymore,
19 because it was easier to just do a direct deposit.

20 Q And, so, did you pass that form onto the
21 client?

22 A I did.

23 Q Do you remember the name of that client?

24 A I don't. I want to say it was Sharon [REDACTED]

25 --

1 Q If you go with me --

2 A I'm sorry. I want to say it was Sharon
3 [REDACTED] because the way she runs her accounts, she likes
4 checks for certain things and certain things for the farm
5 she likes direct deposit. So, I think it was just a
6 change from the check she was getting to a direct
7 deposit.

8 Q Okay. If you turn with my now to the next
9 documents in our -- they are going to be a series of
10 handwritten documents in that Exhibit No. 187. We,
11 before you mentioned, you didn't know who Arlene Darr
12 was?

13 A Right.

14 Q So, let's look at the first page, Diversified
15 1500.

16 A To be honest with you, I still don't know who
17 she is. But, obviously she was a client of Ron's, so
18 I've never personally met this person.

19 Q The last paragraph says, it says, Ms. Darr is
20 Ron Krangnes's client, so the account will have 10
21 percent payout plus a two percent overwrite.

22 Can you explain that to me?

23 A Yeah, what we did was, for Ron's -- I didn't
24 know he had two clients. I thought he only had one.
25 Diversified would pay me the ten percent. I would pay

1 Ron the ten percent, and I would get the two percent
2 overwrite for Ron's client.

3 Q Would that money come from Diversified, that
4 two percent overwrite?

5 A Yes.

6 Q Can we turn to the next page? It is
7 Diversified 1886, it is a typewritten page.

8 Is that your signature at the bottom of that
9 page, it is called, note to Matt?

10 A Yes.

11 Q Enclosed is the check for the application on
12 Ms. [REDACTED], which was dated 12/10/09. It also says that
13 the direct deposit form from Ms. [REDACTED] payment. If
14 there are any questions, please feel free to call me.

15 So, did you send Ms. [REDACTED] check through --

16 A Again, we used her Diversified FedEx account.
17 They gave us -- I don't know if they 93 gave everyone,
18 but they gave me --

19 Q And you handled --

20 A Not all of time, but in this case, yes.

21 Q Okay. Let's go to the next one, it is
22 Diversified 2661. Again, this Howard Jones was Mr.
23 Krangnes's client?

24 A Correct. Correct.

25 Q Turn with me to Diversified 2804.

1 A Yes.

2 Q Here you describe Mr. Krangnes in this note to
3 Matt Welch, well to Matthew, as your sales rep.

4 What does that mean?

5 A That Ron was one of the people that during that
6 dinner seminar came through me like I went out and found
7 it, so I went out and found Ron.

8 Q Okay.

9 A But he did not work for me, I mean, he is not a
10 -- he is not an agent with me.

11 Q Okay. You can put this exhibit to the side
12 now.

13 Mr. Salovay, did you personally invest with
14 Diversified?

15 A No, I did not.

16 Q Why not?

17 A At that time I just didn't have the money. I
18 have a special needs son that I take care of, and that is
19 where most of my money goes.

20 Q Did any of your family members invest?

21 A The only family -- I have two family members
22 that are still alive, so, no. They are back east.

23 Q Okay.

24 A And neither of them are accredited, so that was
25 at other and I'm not accredited either, so --

1 Q Did Mr. Krangnes invest?

2 A No.

3 Q Did any of his family members invest?

4 A Now that I'm thinking about it, I believe that
5 Ms. Darr is his step mom.

6 Q Okay.

7 A I'm not 100 percent sure on that, but I'm
8 getting closer to remembering and I think that was his
9 step mom.

10 Q Okay. Was she an accredited investor, do you
11 know?

12 A I don't know.

13 Q Mr. Salovay, do you have any additional
14 information on any of the topics that we covered in
15 testimony today and previously in February?

16 A I gave some stuff to Ms. Sinatra this week. I
17 don't know how relevant or not relevant it is. I dug
18 deep. I keep everything on note pads and I have them in
19 boxes that I had to find from years ago. So, I did give
20 Ms. Sinatra some handwritten notes from Matthew Welch. I
21 do have some handwritten notes from what Matthew told me
22 after the Richard Kiehl meeting.

23 Q Okay.

24 A And cliff notes. Basically it said that they
25 would take care of everything within 15 days, Diversified

1 would with Richard Kiehl, just to wait for those two
2 weeks. I also found out about the other person in
3 Pennsylvania who was not registered, who was also
4 working with Diversified. And I also found out about 14
5 or 15 other representatives that never had a license of
6 anything and were selling for Diversified.

7 Q How did you find out about those
8 representatives?

9 A FINRA broker check.

10 Q How did you know who to look for?

11 A It was actually in your letter that you sent to
12 clients.

13 MS. SPRINGER-CHARLES: Ms. Sinatra, we would
14 appreciate a copy of any documents Mr. Salovay produced
15 to you that is related to Diversified and this
16 investigation.

17 MS. SINATRA: Okay. Just to be clear, we are
18 talking about the notes from his conversation with Mr.
19 Welch after the conversation with Mr. Kiehl; right?

20 MS. SPRINGER-CHARLES: Correct.

21 MS. SINATRA: The FINRA broker check?

22 MS. SPRINGER-CHARLES: And anything else that
23 he is giving to you that would be responsive to our
24 subpoena that we sent him for the production of
25 documents.

1 BY MS. SPRINGER-CHARLES:

2 A Ms. Springer, I say, documents on hard copy and
3 a lot of the stuff I have is stuff you showed me today,
4 but I do have some other, like I found one or two other
5 quarterly statements that they sent to clients.

6 Q Any and everything that you have related to
7 Diversified. And I think the way our subpoena was
8 worded, would cover everything that you have related to
9 Diversified. We would like a copy those documents.

10 MS. SPRINGER-CHARLES: And, Ms. Sinatra, the
11 same way, if they can fit in e-mail the same way that
12 you sent it to that e-mail address box with the CCM. And
13 if not, I can give you the specifics about how to produce
14 those otherwise, but it is much more complicated. And
15 hopefully these can just be scanned and sent to me.

16 MS. SINATRA: All right. Yeah, why don't you
17 give us a couple of days and I'll sit down with Mr.
18 Salovay and make sure that if I don't have everything
19 that is responsive that we compile those and then I'll
20 obviously contact you if there is a problem in e-mailing
21 them.

22 THE WITNESS: Ms. Springer, may I ask you a
23 question? I don't have a document for this, but I found
24 out doing some search this week that back a couple of
25 years ago, that Diversified actually bought a house in

1 Diversified's name. I would assume --

2 MS. SPRINGER-CHARLES: I want everything that
3 you have --

4 THE WITNESS: I mean, I don't have a copy,
5 but I should just see if I can print that out.

6 BY MS. SPRINGER-CHARLES:

7 Q That's fine. What we want from you, and you
8 can tell me about it now, if there is anything further
9 beyond that that you want to say?

10 A We've been digging hard at this. My clients
11 and I are working hard, because, I mean, this is
12 bothersome.

13 Q What would you like to tell me about the house?

14 A Yes, when this all went down and my clients got
15 this letter from Diversified, I didn't know anything
16 about this. Actually, Sharon [REDACTED] called me at night
17 and said, Mike, what is up with this letter? I said,
18 Sharon, I don't know what you are talking about. She got
19 changed, drove back to work and scanned me a copy of
20 this. Because this is the first time I've ever seen
21 this. I didn't have any communication with Diversified.
22 And they said they were going to do this restructuring,
23 so on and so forth. So, I called everybody that was in
24 that. I didn't run from anybody. I called them all out
25 and said, listen, I have no idea what is going on, let me

1 see what I can do.

2 Diversified would never return my phone calls
3 and they started paying these clients their checks back.
4 They had a restructuring program, which I sent you as a
5 hard copy, originally, and then everything -- clients
6 were fine and then all of a sudden they just stopped
7 everything. Well, in that time I was always looking on
8 your website what was going on, but I found out that in
9 the time period between this, there's a house in Florida
10 that was bought in Diversified's name, which there is
11 nothing in subscription agreements about buying real
12 estate or anything like that. So, that was kind of an
13 eye opener, it was like a \$127,000 house that they bought
14 in Diversified's name. And the only way Diversified was
15 making money was clients investing in their oil and gas,
16 and to this day, we still don't have any idea what
17 happened.

18 So, there was just a lot of, you know, going
19 back, when I was talking to Ms. Sinatra this week, going
20 back and looking back at stuff and dealing with Matthew,
21 you know, he would always tell me, you know, just send a
22 copy. Don't sent it e-mail, I like to get stuff in hard
23 copy. Now, going back, stuff is starting to add up a
24 little bit more and more about why this stuff was
25 happening.

1 We also found out that Mr. Hackney, the
2 attorney, was not an FCC attorney. He was a bankruptcy
3 attorney. Matthew told me flat out that he is an FCC
4 attorney. He handles these documents. He has been doing
5 this for years. That was not correct. There was just
6 a lot of things.

7 So, you know, my whole thing about this, I want
8 my clients to get their money back and be whole. That is
9 the big crux for me. Because it has really, it has
10 ruined my business. Luckily my clients are great people
11 and they are still my clients, but it is still my
12 reputation, it's still our friendships that is crushing
13 me right now. So, I'll say this on the record, and I
14 don't care, Matthew Welch lied to me for three years,
15 flat out, lied about everything, now that I'm looking
16 back at it. And not just me, my clients. Because he
17 stood in front of them and told them the same story. He
18 went to their houses and ate lunch with them.

19 **Q What, specifically, did he lie about?**

20 A That we didn't need a license, everything was
21 reregistered, you know, they had all these oil and gas
22 wells. If you look at these sheets, you know, our
23 questions is, they said they had \$14 million in reserves
24 and there is only \$8 million raised, well, where is the
25 money? I mean, this just isn't adding up anymore. He

1 sends you these forms that we have \$14 million, \$8
2 million was raised, why can't you pay the clients back.
3 You know, just -- he just, this whole process, now that
4 you and I went through this whole process, i mean,
5 there are just so many things in here that Matthew just
6 didn't tell the truth about. Obviously, Carmine was not
7 an expert in oil and gas. You know, the big question is,
8 did they actually invest in these wells? I don't know.
9 I mean, some of these wells, I tried to find out, some of
10 them do exist, but I don't know if they actually have the
11 leases on them.

12 Their presentation they gave to all the clients
13 was the same thing about how well they are doing
14 financially. They have all these reserves, they have all
15 these gas and oil, they have all this cattle. Their
16 biggest investment at the time was the cattle, because
17 they were doing so well at that. Obviously, none of this
18 is true.

19 Q Are there any subject areas of questions that
20 you thought we may ask during this testimony, but we
21 didn't ask?

22 A Yes. I thought you would ask me if I knew what
23 actually happened, because I don't.

24 Q Anything else?

25 A I don't think so. It has been stressful

1 enough. I didn't think of any questions by myself. I was
2 just making sure I did this right, so, no.

3 Q Other than what you have mentioned, are you
4 aware of any other information that you think might be
5 helpful to the FCC for purposes of this investigation?

6 A If I find it, can I still get it to you? I
7 mean --

8 Q Sure, but you have to go through Ms. Sinatra,
9 of course.

10 A Okay. Okay. And my question is: This isn't
11 getting shut off right now? Like if I go back and dig in
12 my basement and find something, I can still give it to
13 Ms. Sinatra and she can give it to you; correct?

14 Q I can't answer that question. However, we
15 can't have this open ended into perpetuity. For me, I
16 would like any and all documents that you have in two
17 weeks.

18 A Oh, yes.

19 Q I think that should be sufficient for you to
20 get them to Ms. Sinatra and for her to review them. And
21 for them to be produced to us. So, if you do believe
22 that you have documents that are responsive to the
23 subpoena, since we sent this to you over a year now,
24 definitely, go and do your final sweep and get anything
25 that you have responsive.

1 A Where a lot of this stuff is coming from is
2 from my note pads that I just had in filing cabinets that
3 were not in my Diversified files that I'm seeing now, oh,
4 there was a note from this meeting, that's what I'm
5 finding. I will have everything to you in under two
6 weeks.

7 Q We definitely need to have that information.

8 A Absolutely, I'll give you everything that you
9 need. I want to make sure these people don't do it to
10 anybody else.

11 MS. SPRINGER-CHARLES: Ms. Sinatra, two weeks
12 from today I would like to have everything you have.

13 MS. SINATRA: Okay. That shouldn't be a
14 problem.

15 BY MS. SPRINGER-CHARLES:

16 Q Mr. Salovay, have you spoken with anyone other
17 than Ms. Sinatra regarding this investigation?

18 A No. I have clients that ask me about the
19 letter they sent. And I tell them that I can't talk to
20 them about it.

21 Q Have you spoken with anyone other than your
22 counsel regarding your appearance here today?

23 A My mother.

24 Q Okay. Anyone else?

25 A My fiance, but she is in Chicago. But, yeah,

1 my fiance, Dawn Hooks.

2 Q Anyone else?

3 A No. I've been pretty tight lipped about this,
4 because this isn't something that I'm proud of.

5 Q Do you know anyone else who has been subpoenaed
6 or has testified in this investigation?

7 A Do I know anybody else? No, I was just
8 assuming that the three principals from Diversified have
9 testified, but that is about it, so, no.

10 Q Were you going to say anything before?

11 A No. I was just saying that Ms. Necciai asked
12 me about the letter. And she is like, what do I have to
13 do with that? And I said, I just have to meet with you.
14 That was our discussion. I didn't tell her where, when,
15 why, what was going on.

16 Q Mr. Salovay, I would like to remind you that
17 this is a confidential nonpublic investigation. We have
18 no further questions at this time. However, in the
19 future we may wish to call you again to testify in this
20 matter and if that is necessary, we'll contact Ms.
21 Sinatra to let her know.

22 Do you wish to clarify any statement that you
23 made today, Mr. Salovay?

24 A No, I think that is it. Ms. Springer, I need
25 to ask you a question. Do you have my proper address?

1 Because the reason I ask that is because when you sent me
2 the original subpoena it went to completely different
3 address that I haven't lived at for 20 years. And I got
4 it about two days before you needed the material.

5 Q I think you've since given me your correct
6 address, but any communication that I need to have with
7 you, going forward, as long as Ms. Sinatra represents
8 you, I will actually be speaking with her. I will no
9 longer communicate with you directly.

10 A Okay. Okay.

11 Q Do you wish to add anything to more completely
12 respond to any statements that you've made today?

13 A No.

14 MS. SPRINGER-CHARLES: Ms. Sinatra, do you wish
15 to ask Mr. Salovay any clarifying questions?

16 MS. SINATRA: No.

17 MS. SPRINGER-CHARLES: Then we are off the
18 record at 11:07 a.m. on April 17, 2014.

19 (Whereupon, at 11:07 a.m., the examination was
20 concluded.)

21

* * * * *

22

23

24

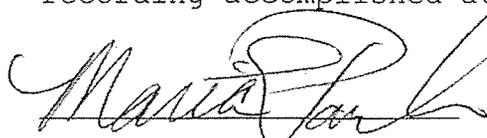
25

PROOFREADER'S CERTIFICATE

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

In The Matter of: DIVERSIFIED ENERGY GROUP, INC.
Witness: Michael Salovay
File Number: FL-03747-A
Date: Thursday, April 17, 2014
Location: Pittsburgh, PA

This is to certify that I, Maria E. Paulsen, (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

 
(Proofreader's Name) (Date)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

COMMONWEALTH OF PENNSYLVANIA) CERTIFICATE.
COUNTY OF ALLEGHENY) SS:

I, Desiree Guzman, Court Reporter and Notary Public in and for the Commonwealth of Pennsylvania, do hereby certify that the witness, MICHAEL JOSEPH SALOVAY, was by me first duly sworn to testify to the truth, the whole truth, and nothing but the truth; that the foregoing sworn statement was taken at the time and place stated herein; and that the said sworn statement was recorded stenographically by me and then reduced to printing under my direction, and constitutes a true record of the testimony given by said witness.

I further certify that I am not a relative or employee of any of the parties, or a relative or employee of either counsel, and that I am in no way interested directly or indirectly in this action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office this 1st day of May, 2014.

Desiree Guzman

Notary Public

